IMPACT OF FEDERAL BUDGET CUTS ON PENNSYLVANIA SCHOOLS

HEARING

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

SPECIAL HEARING

Departments of Labor, Health and Human Services, and Education

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IMPACT OF FEDERAL BUDGET CUTS ON PENNSYLVANIA SCHOOLS

TUESDAY, SEPTEMBER 1, 1981

U.S. SENATE,
SUBCOMMITTEE ON LABOR, HEALTH AND
HUMAN SERVICES, EDUCATION,
COMMITTEE ON APPROPRIATIONS,
Philadelphia, Pa.

The subcommittee met at 9:30 a.m., in the ceremonial courtroom, U.S. courthouse, 601 Market Street, Philadelphia, Pa., Hon. Arlen Specter presiding.

Present: Senator Specter.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR SPECTER

Senator SPECTER. Good morning, ladies and gentlemen. These are hearings which have been scheduled by the subcommittee of the Appropriations Committee of the U.S. Senate which deals with the funding of education. These hearings have been scheduled to make inquiry into the budget situation in the schools of Pennsylvania, with particular emphasis on the impact of Federal budget cuts on the city of Philadelphia and the surrounding environs.

There is a broad consensus in this country as evidenced by the last election and by the events of the preceding several months that there must be budget cuts in this country if we are to move for reducing inflation and reducing high interest rates and revitalizing the economy to provide a base of operations for expanded job opportunities in this country. The issue boils down to one of whether the cuts which are made in specific fields are appropriate cuts.

DISSATISFACTION WITH EDUCATION BUDGET CUTS

There are many of us who have been dissatisfied with the heavy cuts which have been undertaken by the education budget. The education budget constitutes 2 percent of the Federal budget but has been the recipient of some 10 percent of Federal budget cutting. When Secretary of Education Bell testified before this subcommittee in Washington on April 2, he was asked about the tremendous disparity in the cuts to the School District of the City of Philadelphia which was in excess of some

25 percent at the time when the overall budget cuts in the Department of Education were something like 10 percent and that is a question which I think calls for an answer and, despite repeated inquiries by this subcommittee, Secretary of Education Bell has yet to respond to that kind of a very critical question.

ADDITIONAL BUDGET CUTS

There have been suggestions in the course of the past week that there will be efforts by the administration for further budget cuts. The budget cuts now are in excess of $35 billion and there is a suggestion that the administration may be looking at an additional $13 billion in budget cuts, that it may be looking for those cuts in the field of education as well as in a number of other fields affecting the social services in this country and that those requests are going to be directed to the Appropriations Committee.

In my judgment, the cuts which have been made are not cast in concrete. The Congress will be responsive to what the cuts mean to the people of this country and in the education field, to the schoolchildren and, as we have seen with the suggestions which have been advanced in the social security system, there have been modifications on Federal planning when we have seen the response of the public and have weighed those proposed cuts against the needs of the recipients.

So that hearings of this sort seek to find out what those budget cuts mean in actual practice as the cuts have already been made which will give us a basis for evaluating the wisdom of those cuts and also the basis for making a decision as to whether any further cuts are possible.

It is in this context that we have assembled I think an impressive array of experts here today.

PHILADELPHIA PANEL ON ELEMENTARY AND SECONDARY EDUCATION

STATEMENT OF DR. MICHAEL P. MARCASE, SUPERINTENDENT OF SCHOOLS, PHILADELPHIA DISTRICT

ACCOMPANIED BY:

HELEN McFADDEN, CHAIRPERSON, TITLE I PARENT'S ADVISORY COUNCIL

JOAN MYERS, DIRECTOR, LIBRARIES, SCHOOL DISTRICT OF PHILADELPHIA

INTRODUCTION OF WITNESSES

Senator SPECTER. We will begin with the first panel on elementary and secondary education which consists of Dr. Michael P. Marcase, superintendent of the School District of Philadelphia, Ms. Helen McFadden, chairperson, Title I Parents' Advisory Council, and Ms. Joan Myers, director, libraries, School District of Philadelphia.

Dr. Marcase, I think you will find your chair somewhat cooler than those you have been accustomed to occupying by comparison, notwithstanding the significant cuts which have been directed toward the Philadelphia Board of Education.

PREPARED STATEMENT

We welcome you here and we would be pleased to listen to your testimony. We will first insert your prepared statement in the record.

[The statement follows:]

PREPARED STATEMENT OF DR. MICHAEL P. MARCASE

SUPERINTENDENT OF SCHOOLS

SCHOOL DISTRICT OF PHILADELPHIA

GOOD MORNING. I APPRECIATE THIS OPPORTUNITY TO TESTIFY BEFORE THE SUBCOMMITTEE AND TO PRESENT TO YOU OUR VIEWS ON THE OMNIBUS RECONCILIATION ACT.

THERE WILL BE BOTH LONG-TERM AND SHORT-TERM EFFECTS ON THE SCHOOL DISTRICT OF PHILADELPHIA WITH THE IMPLEMENTATION OF THIS ACT.

FIRST OF ALL, IT WILL MEAN AN APPROXIMATE NET LOSS OF $17 MILLION IN THE COMING SCHOOL YEAR. THOSE FUNDS ARE CRITICALLY IMPORTANT AND CANNOT BE REPLACED BY ANY OTHER FUNDING SOURCE.

ALSO, THIS COMES AT A TIME WHEN THE SCHOOL DISTRICT ALREADY FACES A VERY SERIOUS FINANCIAL PROBLEM WHICH HAS RESULTED IN DEVASTATING CUTBACKS OF SOME $200 MILLION IN PROGRAMS AND SERVICES FOR CHILDREN FOR THE COMING SCHOOL YEAR.

WE HAVE HAD TO CLOSE 13 SCHOOLS, INCREASE CLASS SIZE, LAY OFF 3,500 EMPLOYES AND ELIMINATE MANY SERVICES AND PROGRAMS VITAL TO THE SCHOOL CHILDREN OF PHILADELPHIA.

NOW, WITH THE LOSS OF AN ADDITIONAL $17 MILLION IN FEDERAL FUNDS UNDER THIS NEW LEGISLATION, OUR PROBLEMS ARE COMPOUNDED EVEN FURTHER. IN SHORT, THE SITUATION IS CRITICAL.

OUR TITLE I FUNDING, WHICH HELPS EDUCATE 92,000 PUBLIC AND PAROCHIAL SCHOOL CHILDREN, WILL BE REDUCED UNDER THE LEGISLATION BY SIX PERCENT, FROM $35.7 MILLION TO $33.6 MILLION, EVEN THOUGH THE REDUCTION NATIONALLY WILL AVERAGE JUST FOUR AND A HALF PERCENT.

FORTUNATELY, WITH OUR TITLE I PROGRAMS, A CARRYOVER OF FUNDING WILL ALLOW US TO MAINTAIN THE SAME LEVEL OF SERVICES IN THE COMING SCHOOL YEAR AS WE DID LAST YEAR.

HOWEVER, UNDER THE NEW BILL, FUTURE TITLE I PROGRAMS, BEGINNING IN THE 1982-83 SCHOOL YEAR, WILL SUFFER TREMENDOUS CUTS DUE TO SALARY INCREASES, INCREMENTS AND THE INFLATIONARY COSTS OF MATERIALS, SUPPLIES AND OTHER EQUIPMENT.

UNDER EMERGENCY SCHOOL AID ACT PROGRAMS, THE CUTS RECOMMENDED BY CONGRESS WILL RESULT IN A LOSS OF $923,000 IN THE BASIC GRANT, LEAVING US WITH A 40 PERCENT CUT IN STAFF AND THE ELIMINATION OF PROJECTS INVOLVING HUMAN RELATIONS COUNSELING, STUDENT INTERACTION, STUDENT-STAFF RELATIONS AND TWO SPECIAL CENTERS FOR INSTRUCTIONAL ENRICHMENT.

IN OUR MAGNET SCHOOL PROGRAM, OUR GRANT IS SCHEDULED TO DECREASE BY $695,000, WHICH WOULD RESULT IN THE DISCONTINUATION OF FUNDING FOR A COMMUNICATIONS MAGNET PROGRAM AT ONE HIGH SCHOOL, A SCHOOL FOR THE HUMANITIES, A MIDDLE SCHOOL MAGNET PROGRAM FOR SCIENCE AND MATH, AND DELAYS THE START OF TWO NEW MAGNET HIGH SCHOOLS UNTIL AT LEAST FEBRUARY, 1982.

IT IS SOMEWHAT IRONIC THAT WHILE THE FEDERAL GOVERNMENT STILL TALKS, ON ONE HAND, OF DESEGREGATING THE NATION'S SCHOOLS, CONGRESS, ON THE OTHER, CUTS BACK FUNDS FROM ONE OF THE FEW VOLUNTARY DE-SEGREGATION PROGRAMS IN THE COUNTRY THAT IS WORKING AND WORKING WELL.

ANOTHER EFFECT OF THE NEW LEGISLATION IS THE ENDANGERING OF THE SCHOOL DISTRICT'S IMPACT AID FUNDS, OF WHICH WE ARE SCHEDULED TO RECEIVE $4.9 MILLION THIS COMING YEAR.

THESE FUNDS HAVE LONG BEEN THE FEDERAL GOVERNMENT'S ONLY PRINCIPAL CONTRIBUTION TO OUR GENERAL FUND, AND THEIR LOSS, OR DRAMATIC REDUCTION, AT THIS TIME, WOULD CREATE YET MORE SERIOUS PROBLEMS FOR THE CHILDREN WE SERVE.

I THINK IT'S ALSO IMPORTANT TO NOTE THAT IF ALL FEDERAL PROPERTY AND LOW RENT SUBSIDIZED HOUSING WERE NOT TAX EXEMPT, INSTEAD OF BEING ENTITLED TO $4.9 MILLION, THE SCHOOL DISTRICT WOULD HAVE BEEN ENTITLED TO $12 MILLION.

ADDITIONALLY, THE ELIMINATION OF PUBLIC SERVICE EMPLOYMENT HAS MEANT A REDUCTION OF 1,000 EMPLOYES WHO PROVIDED CRITICAL SERVICES FOR OUR SCHOOL BREAKFAST AND LUNCH PROGRAMS AND CLERICAL SUPPORT TO OUR SCHOOLS. THIS CUT REDUCES OUR ABILITY TO MAINTAIN OUR SCHOOLS AND HAS ELIMINATED AN AVENUE OF EMPLOYMENT FOR MENTALLY HANDICAPPED CHILDREN WHO DID PACKAGING AND CUSTODIAL WORK IN SHELTERED WORKSHOPS.

IN OUR FOLLOW THROUGH PROGRAM, A 40 PERCENT CUT IN FUNDING WILL MEAN THE ELIMINATION OF TWO OF OUR FOLLOW THROUGH CENTERS. PARTICULARLY SIGNIFICANT IS THE LOSS OF FUNDING TO THE LUDLOW SCHOOL AND THE ELIMINATION OF OUR BILINGUAL PROGRAM IN THAT SCHOOL.

THIS HAS BEEN A SEVERE BLOW TO OUR HISPANIC POPULATION, WHICH HAS COUNTED VERY HEAVILY ON THIS PROGRAM TO HELP PROVIDE A VEHICLE FOR ITS CHILDREN TO MOVE INTO THE MAINSTREAM OF REGULAR EDUCATIONAL PROGRAMS.

THESE ARE JUST A FEW EXAMPLES OF THE KINDS OF CUTBACKS NECESSITATED BY THE RECONCILIATION BILL.

AND, UNFORTUNATELY, WE SEE NO RELIEF OR HELP AT THE PRESENT TIME FROM EITHER THE CITY OR THE STATE IN ASSUMING ANY OF THE COST FOR THE PROGRAMS AND SERVICES LOST UNDER THIS BILL.

THEREFORE, WE FEEL IT IS EXTREMELY IMPORTANT, IN DEVELOPING A DISTRIBUTION FORMULA UNDER THE BLOCK GRANTS PROPOSAL, THAT LANGUAGE BE WRITTEN INTO THE APPROPRIATIONS BILL WHICH CLEARLY INDICATES THAT AN URBAN FACTOR BE CONSIDERED.

PHILADELPHIA, AND OTHER MAJOR SCHOOL SYSTEMS THROUGHOUT THE COUNTRY, ARE DEEPLY CONCERNED OVER THE FLEXIBILITY GIVEN TO STATES IN THE DISTRIBUTION OF TITLE II BLOCK GRANT MONIES.

HISTORICALLY, THIS NATION'S MAJOR URBAN COMMUNITIES HAVE HAD TO FIGHT FOR THEIR FAIR SHARE OF FUNDING FROM THE STATES.

WE FEEL THAT SCHOOL DISTRICTS LIKE PHILADELPHIA, WITH THEIR DIVERSE POPULATIONS AND THEIR COMPLEX EDUCATIONAL AND SOCIO-ECONOMIC PROBLEMS, SHOULD RECEIVE SPECIAL CONSIDERATION, NOT ONLY IN THE DISTRIBUTION OF 80 PERCENT OF THE FUNDS WHICH MUST BE PASSED ON TO THE LOCAL DISTRICTS, BUT ALSO FOR A PORTION OF THE 20 PERCENT DISCRETIONARY MONEY TO BE DISTRIBUTED BY THE STATES.

WE FEEL THAT THE LAW, AS WRITTEN, IS SIMPLE AND CLEAR, AND THAT THE PROHIBITION IN TITLE III AGAINST REGULATIONS, AND THE DECLARATION OF POLICY IN TITLE I, SHOULD BE A CLEAR SIGN TO STATE DEPARTMENTS OF EDUCATION NOT TO DEVELOP GUIDELINES WHICH WOULD BE EVEN MORE RESTRICTIVE THAN THOSE ALREADY PASSED BY THE FEDERAL GOVERNMENT.

HOWEVER, ONE OF OUR FEARS IS THAT THE STATE LEGISLATURE, WHICH HAS THE AUTHORITY TO DESIGNATE HOW THESE FUNDS WILL BE USED, MAY TRY TO SUPPLANT CURRENT STATE FUNDING WITH FUNDS AVAILABLE UNDER THE TITLE II BLOCK GRANT.

OUR BASIC FEAR HERE IS THAT WE DON'T IN ANY WAY WISH TO HAVE OUR CURRENT SUBSIDY FROM THE STATE REDUCED BECAUSE OF THE BLOCK GRANT FUNDS WE WILL RECEIVE UNDER TITLE II.

ADDITIONALLY, THE CONSOLIDATION OF PROGRAMS UNDER TITLE II WILL RESULT IN A SIGNIFICANT CUTBACK OF FUNDING CURRENTLY AVAILABLE TO THE SCHOOL DISTRICT. WE ARE NOT, AT THIS TIME, ABLE TO FULLY ANALYZE THE IMPACT OF THIS ACT UNTIL WE KNOW THE LEVEL OF FUNDING WE WILL RECEIVE FROM THE STATE.

HOWEVER, WE DO KNOW, BECAUSE WE HAVE BEEN AMONG THE VERY FEW RECIPIENTS OF FUNDS UNDER ESAA, TEACHER CORPS, TEACHER CENTER, CONSUMER EDUCATION, AND WOMENS EDUCATIONAL EQUITY, THAT CONSOLIDATING THEM INTO A BLOCK GRANT WILL MEAN LOSING MILLIONS OF DOLLARS THAT ARE VITALLY NEEDED BY THE SCHOOL DISTRICT.

THUS, SOME PROVISIONS SHOULD BE MADE SO THAT SCHOOL DISTRICTS WHO HAVE RECEIVED THIS FUNDING IN THE PAST WILL NOT SUFFER A DISASTROUS CUT. THE STATE IN DISTRIBUTING THIS FUNDING SHOULD CONSIDER CONTINUITY AS ONE OF THE FACTORS IN THE DEVELOPMENT OF A FORMULA FOR DISTRIBUTION.

OUR DESIRE IS THAT ANY GUIDELINES DEVELOPED BY THE STATE OR THE U.S. DEPARTMENT OF EDUCATION BE VERY SIMPLE IN NATURE, AND NOT RESTRICTIVE, AND THAT SCHOOL DISTRICTS BE GIVEN THE DISCRETION INTENDED BY THE BILL ITSELF TO ADMINISTER THESE PROGRAMS.

FINALLY, WE FEEL THAT IT IS CRITICAL THAT THE APPROPRIATIONS COMMITTEE FUND THE FULL AUTHORIZED LEVELS FOR TITLES I AND II OF THE CONSOLIDATION BILL, AS WELL AS P.L. 94-142 AND IMPACT AID. THESE ARE THE FOUR PRINCIPAL PRIORITIES OF THE SCHOOL DISTRICT RELATIVE TO FEDERAL FUNDING.

I APPRECIATE VERY MUCH THIS OPPORTUNITY TO APPEAR BEFORE YOU, AND I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE.

OMNIBUS RECONCILIATION ACT

Mr. MARCASE. Good morning. I appreciate this opportunity to testify before the subcommittee and to present to you our views on the Omnibus Reconciliation Act.

There will be both long- and short-term effects on the School District of Philadelphia with the implementation of this act.

First of all, it will mean an approximate net loss of $17 million in the coming school year. Those funds are critically important and cannot be replaced by any other funding source.

Also, this comes at a time when the school district already faces a very serious financial problem which has resulted in devastating cutbacks of some $200 million in programs and services for children for the coming school year.

We have had to close 13 schools, increase class size, layoff 3,500 employees, and eliminate many services and programs vital to the schoolchildren of Philadelphia.

Now, with the loss of an additional $17 million in Federal funds under this new legislation, our problems are compounded further. In short, the situation is critical.

TITLE I FUNDING

Our title I funding, which helps educate 92,000 public and parochial schoolchildren, will be reduced under the legislation by 6 percent, from $35.7 million to $33.6 million, even though the reduction nationally will average just 4½ percent.

Fortunately, with our title I programs, a carryover of funding will allow us to maintain the same level of services in the coming school year as we did last year.

However, under the new bill, future title I programs, beginning in the 1982–83 school year, will suffer tremendous cuts due to salary increases, increments, and the inflationary cost of materials, supplies, and other equipment.

EMERGENCY SCHOOLS AID ACT

Under Emergency Schools Aid Act programs, the cuts recommended by Congress will result in a loss of $923,000 in the basic grant, leaving us with a 40-percent cut in staff and the elimination of projects involving human relations counseling, student interaction, student-staff relations, and two special centers for instructional enrichment.

BLOCK GRANTS VERSUS DISCRETIONARY GRANTS

Senator SPECTER. Dr. Marcase, let me ask you to skip ahead to some testimony which appears at page 4 of your statement which involves the subject of block grant versus discretionary grants, but before I do that, I know that Mr. Murray has arrived in the hearing room and I'd like you, Mr. Murray, if you would to join the panel. I think that the inputs which you will have will be broader than the panel where you have been asked to testify. I'd like your comments as we move along on the

testimony. So if we can pull up an extra chair for you, we would ask you to join us there.

Dr. Marcase, the testimony that I'm concerned with—in your written statement you say at page 4:

> We feel it is extremely important in developing a distribution formula under the block grants proposal, that language be written into the appropriations bill which clearly indicates that an urban factor be considered * * *

And that leads to my question to you: What is your general view of the wisdom of the block-grant approach versus the categorical requirement?

Dr. MARCASE. Well, on the positive side, hopefully there will be less regulations involving the manner in which these funds can be spent. On the negative side, there's no question in our mind that it will result in less dollars coming to us for programs that had been categorically designed in the past.

EFFECT OF REGULATIONS ON OPERATION

Senator SPECTER. How problemsome are the regulations in terms of impeding your operation?

Dr. MARCASE. I don't think that they are impossible to live with. I would personally prefer the regulations and full funding than to envision the kinds of cutbacks that we are talking about without regulations and it still needs to be determined whether the States who receive these funds and channel it to the local districts will develop their own regulations.

Senator SPECTER. Some say that with the elimination of the bureaucratic redtape that a 25-percent cut will not mean less money in hand. Do you agree with that conclusion?

Dr. MARCASE. I do agree with that conclusion.

DECREASE IN FEDERAL REGULATORY PROCESS

Senator SPECTER. Do you have an approximation as to what saving could be obtained as a result of a decrease in the Federal regulatory process?

Dr. MARCASE. I really don't have that at my fingertips. Mr. Rossica may have done an analysis on that issue and, if I could, I would refer that question to him.

Senator SPECTER. Can you give us your best judgment as to what kind of a saving might be effected as a result of a reduction in regulation?

Dr. MARCASE. Well, I would say 3 or 4 percent.

PROBLEMS IN URBAN COMMUNITIES

Senator SPECTER. When you talk about language that the urban factor be considered, what are you referring to there, Dr. Marcase?

Dr. MARCASE. Well, as we all know, there are special problems in urban communities that are not prevalent in rural and suburban areas. We are talking about low-income problems, we are talking about the municipal overburden within the urban communities, we are talking

about the need to provide very highly specialized areas because many children who have special needs come into the urban communities and I think we need to be cognizant of the fact that urban centers are experiencing these tremendous cutbacks in general funds that have dissipated appropriations for materials, supplies, and other kinds of essential ingredients in educational programs.

I think that legislation that deals with these block grants need to take that into consideration to insure that those factors such as the problem that already exists because of shrinking local funds is taken into consideration.

Senator SPECTER. Aren't you really suggesting then that if you add those requirements to the block-grant concept that you are really back with a categorical grant?

Dr. MARCASE. As I mentioned initially, I would prefer to see the categorical grants and receive full funding because at least we would be assured of funding at the same level that we have in the past and there are too many unknown quantities in the present legislation.

PRIOR FUNDINC IN BLOCK GRANT FORM

Senator SPECTER. In a context where it is reasonably plain that prior funding is not going to be maintained would you prefer to see it in the categorical grant form or in the block-grant form?

Dr. MARCASE. Under those circumstances I would rather see it in the block-grant form as much as certain programs have been removed from the block grants that had been initially considered. However, again, I think that it should be very clearly indicated that the school districts must receive a fair share of this amount through the State appropriations.

Senator SPECTER. Dr. Marcase, I would like you to give some thought to the kind of language which you would like to see. I would suggest to you that if you are talking about language like fair share that you may as well not even use language like that because it is not sufficiently definite or sufficiently precise to obtain any objective which you seek and on the subcommittee we are wrestling with this problem of categorical grant versus the block grant and I'm very much interested in your conclusion that you would like to see the block-grant concept retained, although you do say you want language which will assure your own district its fair share, but we would welcome the specific kind of language which you could provide to us because you are aware of the specific kinds of problems you face in a much more detailed way than our subcommittee can be and, as you focus on that particular bit of your testimony in your prepared text, that raises an issue which we have labored over. So I would request that you give us specifics as the matters progress in committee.

Dr. MARCASE. You certainly will have that in the immediate future.

Senator SPECTER. We very much appreciate it.

Dr. MARCASE. Would you wish me to continue the——

Senator SPECTER. I would prefer to continue, Dr. Marcase, in a summary form and then we will come to questions after others on the panel have testified.

EFFECT FROM LOSS OF FEDERAL FUNDS

Dr. MARCASE. Our testimony indicates that under the present formula for distribution, funds and legislation that we will be losing $17 million in Federal funds in this coming year and, really, an unknown amount much greater than that in the ensuing years. It will compound our financial problems. We will have programatic cutbacks. We have set very high priorities, for example, in title I, in bilingual, in education of the handicapped and in impact aid.

I mean, that's an issue that is very, very sensitive with us in every year for the past 5 or 6 years. The only funds that came directly into our general fund came in the form of impact aid and we think that the B public housing children should certainly be included in any impact aid compromise that develops because we have many children in that category and that would provide urgently needed funds to our general fund and, in effect, be a type of block grant that would be continued.

We think that our desegregation program will be hurt through this consolidation bill by virtue of the fact that it's our perception that the block grants, if you take 4–B and 4–C and our desegregation programs into consideration, that we will not be able to function because we will be losing $923,000 alone in the ESAA programs and our voluntary desegregation program that we think has shown some promise and certainly has met its preliminary target objectives would be clearly hurt.

We have already suffered an almost mortal blow in the cutback of the public service programs, Comprehensive Employment and Training Act—CETA—programs. Our food service program, our lunch programs, clerical support that we got from that has suffered immensely by that loss and we mentioned that the block grants should take into consideration the urban factor, considering the size of big cities and their unique problems, consider the diverse populations and complex educational/socioeconomic problems, consider urban problems, distributing both 20 percent in the discretionary funds as well as the 80 percent designated for local districts, and that's along the lines that you had suggested, but we will have some detailed suggestions there for the distribution of those block grants.

We are hoping that State guidelines again would not be so restrictive that they would supplant the Federal regulations and we hope that there will be no reduction in State subsidies because of these block grants flowing through the State and then into the cities and there has been some discussions concerning that possibility.

Even though we haven't been able to fully analyze our funded loss under title II consolidation into block grants, we believe that it will be significant and, of course, we are hoping that we will have full funding for titles I and II and also Public Law 94–142 and impact aid.

Senator SPECTER. Thank you very much, Dr. Marcase.

PREPARED STATEMENT OF MS. HELEN McFADDEN

Ms. McFadden, Thank you for submitting your written testimony in advance.

Ms. McFADDEN. Thank you. You're welcome.
[The statement follows:]

STATEMENT OF HELEN MCFADDEN

Good morning Senator Specter and honorable members of your distinguished subcommittee.

I am pleased to have this opportunity to testify before the U.S. Senate Appropriations Subcommittee on Labor, Health and Human Services.

I am Mrs. Helen McFadden, chairperson of the ESEA, Title I District-wide Parents' Advisory Council for the School District of Philadelphia. Our program provides basic skills services in reading and mathematics to 78,000 public and 9,900 nonpublic students in 161 public and 57 nonpublic schools. Presently, we receive $33 million in Federal funds for title I. It is especially significant that over 1,800 parents—public and nonpublic—are directly involved in our title I program through mandated parental involvement requirements of Public Law 95-561.

I come before you today as an advocate for the title I program. As one who has participated in the planning, implementation and evaluation of the title I program since 1971, I can attest to the fact that this program is working and provides positive supplementary benefits to the eligible students in Philadelphia. As a mother of five children, three of which received the benefits of the title I program, I am a witness to the quality of title I and the positive impact of the services provided to my children. As a member of the title I Parents' Advisory Council, I have been fortunate to observe the title I program operating in the schools throughout the district. Based on my observations, the title I program is challenging, motivating, exciting, but more importantly, our children are learning.

It is my hope that funding for title I will continue and be expanded if possible so that more students can receive the intensive services provided by title I.

PARENTAL INVOLVEMENT IN TITLE I

I also feel that one of the most important components of the program is parental involvement. Through the mandated requirements of Public Law 95-561, the thrust has been to encourage parents to participate in the total program both at the school and district levels. Parents are involved in the program, and through the cooperative association with the school district, I feel as though our partnership is partially responsible for the effectiveness of the title I program. As a result of the new law, what is the role of parents? Is there any change in the definition of parental involvement for title I?

In summary, the title I program in Philadelphia is working and students are learning. Please continue the funding of title I as a major priority because our schoolchildren need all of the help they can get. If in the near future you would like to visit our program, we would be proud to show you our title I program.

Thank you, Senator Specter, for the opportunity to testify before your subcommittee.

BASIC SKILLS PROGRAM

Ms. McFADDEN. I am Helen McFadden and I am the chairperson of the title I parent's advisory council. Good morning Senator Specter and honorable members of your distinguished subcommittee.

I am pleased to have this opportunity to testify before the U.S. Senate Appropriations Subcommittee on Labor, Health, and Human Services.

I am Mrs. Helen McFadden, chairperson of the ESEA, title I district-wide parents' advisory council for the School District of Philadelphia. Our program provides basic skills services in reading and mathematics to 78,000 public and 9,900 nonpublic students in 161 public and 57 nonpublic schools. Presently, we receive $33 million in Federal funds for title I. it is especially significant that over 1,800 parents—public and

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I come before you today as an advocate for the title I program. As one who has participated in the planning, implementation, and evaluation of the title I program since 1971, I can attest to the fact that this program is working and provides positive supplementary benefits to the eligible students in Philadelphia. As a mother of five children, three of which received the benefits of the title I program, I am a witness to the quality of title I and the positive impact of the services provided to my children. As a member of the title I parents' advisory council, I have been fortunate to observe the title I program operating in the schools throughout the district. Based on my observations, the title I program is challenging, motivating, exciting but more importantly, our children are learning.

It is my hope that funding for title I will continue and be expanded if possible so that more students can receive the intensive services provided by title I.

I also feel that one of the most important components of the program is parental involvement. Through the mandated requirements of Public Law 95-561, the thrust has been to encourage parents to participate in the total program both at the school and district levels. Parents are involved in the program, and through the cooperative association with the school district, I feel as though our partnership is partially responsible for the effectiveness of the title I program. As a result of the new law, what is the role of parents? Is there any change in the definition of parental involvement for title I?

In summary, the title I program in Philadelphia is working and students are learning. Please continue the funding of title I as a major priority because our schoolchildren need all of the help they can get. If in the near future you would like to visit our program, we would be proud to show you our title I program.

Thank you, Senator Specter, for the opportunity to testify before your subcommittee.

Senator SPECTER. Thank you, Mrs. McFadden.

PREPARED STATEMENT OF MS. JOAN MYERS

Now, Ms. Myers, director, libraries, School District of Philadelphia.

We have received your written testimony in advance. We appreciate it. We would like a summary and perhaps like to start you with a question which arises from the course of your testimony.

[The statement follows:]

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THE SCHOOL DISTRICT OF PHILADELPHIA
DIVISION OF LIBRARIES

PREPARED STATEMENT OF JOAN B. MYERS

DIRECTOR OF LIBRARIES

One of the fundamental goals of education is to produce a literate electorate capable of reading, comprehending and interpreting the news to help understand and participate in the surrounding world. The school cannot attain this goal alone. The family in the home is a partner in providing education before the children even begin formal schooling. In fact, many experts in learning and human behavior believe the most significant phase of mental development occurs from birth to age five. As we all know many homes throughout this country have no printed material in them, no books, no magazines, not even a daily newspaper. Recognizing the vital role of parents in the total educational process and the lack of printed material in the home, the School District of Philadelphia, under the leadership of Dr. Michael P. Marcase, Superintendent of Schools, initiated a Books for Tots program as part of the Parent Partnership Project. A local foundation, the William Penn Foundation funded this project, and the Books for Tots Program as we know it was initiated six years ago.

The Books for Tots Bandwagon provides quality paperback books and other printed materials to parents of 3 and 4 year old children to foster the development of reading and reading-related skills in the home. Parent workshops, held two or three times each year in more than 200 public elementary schools throughout the city make it possible to distribute several free books to every three and every four year old child in the City of Philadelphia. Providing these books to preschool children helps families to start a library in the home.

This preschool program became an immediate success. Recognizing its success the School District of Philadelphia applied for RIF matching funds in order to extend the program to the Kindergarten (5 year old) children. Philadelphia was successful and the joint Books for Tots, RIF program was inaugurated.

The Philadelphia RIF program provides every kindergarten child in the city with books and other printed materials to introduce young children to age-appropriate reading materials. Books are distributed in every kindergarten class in Philadelphia and children are permitted to select their own books from a wide variety of titles especially selected for them. Children also participate in activities designed to stimulate their interest in reading. To the present a total of 802,030 books have been distributed through the two programs.

Since its inception RIF has been a categorical grant which has enabled community groups to apply for matching funds for needs felt at a grass roots level. Churches, community groups, home and school groups have participated extensively in the program throughout the nation because community funds alone cannot support book distribution programs of any size. RIF has been the enabling factor.

If RIF were thrown into a block grant it would have to compete with all other programs in that block grant for a share of the funds. We have received information that the RIF projects would be competing with other groups included in the block grant such as: programs for neglected and delinquent children; regional, vocational, adult and post-secondary programs; programs for gifted and talented children; for metric education; alcohol and drug abuse education; women's educational equity -- and others.

There is another fact that also must be taken into account and that is the 1982 Federal budget. The competition will be even more severe inasmuch as the President's budget includes cuts in the appropriations.

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So not only would local RIF projects be competing with all other previously earmarked programs for funding, they would also be competing for a slice of a smaller pie.

The most important fact that is being overlooked if RIF were thrown into a block grant is that local community initiative which is the basic component of the RIF program would be stifled.

SUBSTITUTION OF BLOCK GRANTS FOR CATEGORICAL GRANTS

Senator SPECTER. You have noted that since its inception RIF has been a categorical grant which has enabled community groups to apply for matching funds for needs felt at the grass roots level and my initial question to you would be what do you think would be the result of your program if block grants were substituted for the categorical grants?

Ms. MYERS. I think two factors would be involved. The first factor is that it would be competing with many, many other projects and perhaps it wouldn't even be funded. It would have to compete with many other programs and, secondly, since Federal funding is cut, even if we were to get the grant and it were allocated through the block-grant system, we would be getting less as a result of it also.

I, frankly, think that it would have a terribly negative effect, if not completely negative effect, because the testimony I submitted, Senator, describes a very, very large program, probably one of the largest programs in the United States, but I think what we have to keep in mind also is that local communities, scout troops, churches, local organizations, community organizations, can raise very little money and yet get a match from the RIF foundation and that way be able to supply books and reading materials that are so desperately needed in the homes today.

CURRENT STATUS OF READING MATERIAL

Senator SPECTER. Are those reading materials and books relatively updated?

Ms. MYERS. Yes, sir; they are current, the latest thing. Our only problem is, of course, in—if I could speak for a minute to our own specific program and just describe this.

All grant money usually stays at the same funding level but the inflationary factor has been so tremendous today and has affected the book industry to such an extent that we are able to buy less and less with the money from the grant, so that it really is essential—inflation has had a terrible effect.

STATUS OF RIF PROGRAM

Senator SPECTER. Is it your basic thought that a program like RIF should remain a categorical grant?

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Ms. MYERS. Yes, I do; and I'll tell you another thing, Senator.

Senator SPECTER. It is currently under the Secretary's discretionary fund which has removed it from the mandate of the categorical grant program.

Ms. MYERS. Right.

Senator SPECTER. As you know, of course.

Ms. MYERS. Yes; I can attest to the fact that I receive many calls from interested parents in the city who have heard some of the commercials on television and the other various means that RIF has used to advertise the program inquiring and wanting to start small RIF programs of their own. I receive many calls each year from RIF in Washington because parents in this area have written to RIF asking for information to start a local RIF program. So I think you can see the interest in the community at large in the program.

Senator SPECTER. Thank you very much, Miss Myers.

PHILADELPHIA FEDERATION OF TEACHERS

STATEMENT OF JOHN P. MURRAY, PRESIDENT, PHILADELPHIA FEDERATION OF TEACHERS

Senator SPECTER. Mr. John Murray, president of the Philadelphia Federation of Teachers. I'm going to ask you and Dr. Marcase to sit in on the panels as we progress to have your comments and your views as to each one of the specific items of subject matter which I think would be useful because of the obviously critical roles which you two gentlemen are playing at the moment in the evaluation of where the educational system is heading in the city.

Mr. Murray, we have received your testimony. I have read your testimony. I have noted your concerns about the cuts in the number of specific items. I would ask you to summarize your testimony and perhaps focus again at the start on your view as to the overall direction that the Federal Government has headed in with respect to budget cuts generally and as they have impacted on the field of education, what you think about it all.

[The statement follows:]

PREPARED STATEMENT OF JOHN P. MURRAY

PRESIDENT

PHILADELPHIA FEDERATION OF TEACHERS

I am John Murray, President of the Philadelphia Federation of Teachers. On behalf of our organization, I appreciate this opportunity to share our views on the Omnibus Reconciliation Act. It is encouraging that there are members of the Senate who are attempting to find out what the effects of the new budget will be. It did seem that in the rush to pass these widespread budget cuts, many legislators were not even fully informed as to what programs were being cut, let alone their impact on our citizens.

The Act we are considering presents us, in Philadelphia, with a disaster on top of a disaster. This year, neither our State nor our City Government have been willing to deliver funds promised for our School District.

Pennsylvania has not come through with 40 to 50 millions of dollars allocated to meet State guidelines for Special Education. In addition, our School District counted on the Governor's campaign pledge to boost the State's share in funding local districts. These monies also have not materialized.

The situation in Philadelphia is far more severe. In the past years Philadelphia's share in funding the School District has significantly decreased. Opportunities to fund our schools have been ignored. For instance, in 1978 real estate taxes were raised 14 mills. Despite the fact that real estate is, traditionally, the major source of school funding, only one mill of this increase was designated for schools.

More recently, at the end of the passed fiscal year, Philadelphia announced a $37,000,000 surplus. Not one cent was allocated to the School District despite the widely proclaimed $233 million dollar debt.

As a result of the Mayor's failure to provide funding for our School District we are facing an unprecedented breach-of-contract. Besides the abridgement of our members' salary and benefit gains, there will take place what only can be described as the decimation of education in Philadelphia's public schools.

School children will lose completely or suffer cuts in the following programs for services: Reading and Math specialists, elementary school counseling, libraries, librarians, specialists in Art, Music, Science, and Physical Education, Motiviation Programs, smaller class size for special education, funds for Desegregation, bilingual education, the teachers of English as a second language, books and supplies, and nurses and health services among others. Class size will be boosted from 33 to 36 or more. Clearly, education as we know it in Philadelphia is suffering a disasterous setback.

On top of this we must now confront the overriding federal cuts called for in the Omnibus Reconciliation Act.

Title I was designed to help boost the achievement of students living in economically disadvantaged communities. After years of intense educational work, we are finally seeing the beneficial results of these programs being reflected in rising national test scores of inner-city youth. This year we will sustain a 6%, or $2 million loss in Title I funds. It does not sound severe, but in view of the fact that we need to increase these programs to have a long-term effect on the achievement of the disadvantaged, we will be hampered in our efforts.

However, next year a huge cut of 30% to 40% of Title I funding is scheduled. This will completely destroy the School District's work in behalf of 80,000 public school children who are serviced by Title I Programs. In addition to the Follow-Through Program at the McCall School, the Bilingual Follow-Through Program will be wiped out at the Ludlow School located in the heart of a heavily Hispanic populated

area. We need to drastically increase these programs for our 16,000 Hispanic children, a number which has risen to over 7% of our public school population.

For years the Federal Government has ruled that desegregation is the law of the land. In fact, the Philadelphia School District has been under a Pennsylvania court order to desegregate for years. Even the modest steps we have taken in this direction -- the creation of magnet schools and the preparation of personnel for desegregation -- are now threatened by the loss of almost $1 million under the Emergency School Aid Act.

The CETA Program provided services for schools that no other category of employees provided. Lunchroom supervision helps maintain order in make-shift space that was never meant for dining areas. In the inner-city where poor and working class families either cannot provide lunch or are working during the day, a healthful, hot lunch program is a necessity. This program is difficult, at best, to manage, and in fact, unsanitary without the supervision and custodial services provided by CETA workers.

Under the Aid To Impacted Areas, Philadelphia gets about $5 million per year for its School District. This money represents the only funding that the Federal Government provides directly to our general operating budget. The withdrawal of this program will further impoverish our School District.

But most ominously looms the great probability that the new Federal policy of issuing block grants to the States will gravely reduce in quantity the federal contribution to public education. But quite apart from the quantitive reduction of federal funds is the fear, not unfounded, that the State will not be sympathetic to the special needs of urban areas.

Heretofore, Block Grants have been earmarked for particular projects that may not seem essential from the viewpoint of suburban or rural legislators, but to those of us who work in the cities they constitute an important survival factor not only for us, but for those we service.

These are times of crisis for public education in general, but especially for the urban areas which are not only being frozen out of State aid, but often face resentment and resistance to full funding from their own municipal governments. For us to be further victimized by federal cuts and new policies which deemphasize the needs of the disadvantaged, especially in the cities, will constitute an intolerable burden from which public education may not recover.

STATE SUPPORT OF PUBLIC PROGRAMS

Mr. MURRAY. If I could digress from the summary I have here, Senator, my concern is that I think the tenor of the times certainly set by Washington is to move away from concentration of Federal support and effort in social and public programs and education being, I think, one of the most basic services in that type of program, I think the Federal Government has backed off it with the understanding, of course, that the responsibility for it would be assumed by the State more directly with the assistance of block grants.

In my testimony that I have given you I have tried to make a comparison of the city problems that we have here and one of the statements I made in my testimony was that block grants and the removal of categorical finance out of the city of Philadelphia from the Federal Government just presents us with one more disaster on top of the disaster that already exists here. To take the money away that would be earmarked specifically for programs in the city of Philadelphia and to assume that they are going to be met, the needs of those programs are going to be met by block grants in a trickle-down theory from the State government in Philadelphia is not going to happen because Philadelphia happens to be in Pennsylvania and I believe that the concern in Harrisburg which would have the authority over these block grants is not in tune with the needs of an urbanized school district such as the city of Philadelphia.

One of the biggest problems we have had since I have ever been associated with school teaching in Philadelphia—and that's only been 16 years—is getting the State of Pennsylvania to do what it has to do in order to support an urban education center such as the city of Philadelphia.

Senator SPECTER. Mr. Murray, before coming to the question of block versus categorical grants, where I'd like you to expand the testimony you have already given—you represent a union in the city of Philadelphia consisting of thousands of teachers who are the victims of inflation in our system, like everyone else. Your members go out to buy homes and face an interest rate which makes it impossible for them to deal with the kinds of borrowing necessary with the interest rates.

What is your feel as to the overall direction that the Reagan administration and the Congress has taken to try to deal with the problems of inflation and interest by making budget cuts?

EFFECT OF BUDGET CUTS ON INTEREST RATES AND INFLATION

Mr. MURRAY. I don't believe necessarily, Senator, that budget cuts are going to have an effect directly on inflation and interest rates. So far it hasn't been proven true, in my estimation, and the substantial needs of this school system are suffering a lot faster than people are gaining any benefit from a reduction in inflationary, in the inflationary spiral, or reduction in interest rates.

I appreciate the concept that if you cut down the spending of the Federal Government, it may tend to reduce inflation, but we are not cutting down the spending of the Federal Government. We are cutting it down in one area and increasing it in another area and I don't necessarily believe that in the overall picture, in the overall scheme of things—and I'm not an economist. I couldn't really testify to any kind of expertise—that we are really not going to benefit the vast majority of the people who live in our major cities by the economic program that the President is espousing.

Senator SPECTER. Do you think that it is on the right track to at least move toward the budget cuts?

Mr. MURRAY. I believe that there has to be some cutback in the amount of money that the Federal Government is outlaying and I think that they are attributing—one of the major contributing factors toward inflation in this Nation today.

As I said before, we have our differences on areas where the cuts should come.

Senator SPECTER. Your disagreement would be as to the specific cuts and the cuts in the education field which I have already noted from your statement, but I am interested in your overall view that you do agree with the general philosophy that some cuts in Federal expenditures are necessary in order to try to cope with the problems of inflation and interest rates and the economic problems which this country faces today.

Mr. MURRAY. Yes.

BLOCK GRANTS VERSUS CATEGORICAL GRANTS

Senator SPECTER. On the subject of the block grants versus the categorical grants, you have already testified about your concerns as to what Philadelphia will receive from the Commonwealth on the block grant concept.

Do you believe that it would be preferable overall to maintain the categorical grant concept as opposed to the block grant concept?

Mr. MURRAY. Yes, I do, Senator. I don't see the alternative being beneficial to Philadelphia.

PROPOSAL TO ELIMINATE EDUCATION DEPARTMENT

Senator SPECTER. Let me ask a question of the panel in general, which is sort of a threshold question in the entire field, and that is: Should we eliminate the Department of Education in the federal system, which is one that the Congress is going to have to grapple with?

Dr. Marcase, you have some experience in this field. What is your opinion?

Dr. MARCASE. My opinion is that it should be maintained. I had some skepticism initially, but in looking at it after it has been developed, I believe that education, without minimizing the role of the Secretary of Education on the Federal level, Senator, has suffered tremendously in the United States and I think to eliminate the Department of Education at this point in time would further erode public education in this country that I think has been the keystone of the foundation of our society.

I would hope that the Department of Education would be maintained. However, I think that they should be examined very closely to determine whether budget cuts can be made throughout the United States in the central area as well as the regional offices. I am not certain whether the regional offices are as effective as they could be and whether they really require the level of staffing and expenditures that has been allocated to them, but I would certainly want to see that maintained at a Cabinet level.

PROBLEMS WITH LOCAL REGIONAL OFFICE

Senator SPECTER. Dr. Marcase, do you have any specific complaint with the local regional office?

Dr. MARCASE. Well, the general complaint is, first of all, a general ambivalence on their part in terms of involvement in our current problems. We really don't know they exist until they force upon us certain requirements, especially in the Civil Rights Division of the Office of Education in Philadelphia.

Senator SPECTER. Specifically what?

Dr. MARCASE. Well, for example, any complaints that come in and are investigated by them usually involve a tremendous amount of time on the part of our staff. They make demands on us that are very extensive and in some instances the manner in which they operated has jeopardized all of our Federal funds that, by threats or veiled threats—in some cases not veiled threats—to withhold Federal funding under title VI until we have resolved the certain issues that are, in their opinion, needed to be resolved.

Senator SPECTER. Do you think that factually the complaints they make are unfounded?

Dr. MARCASE. I think there is some thread of truth in them but I think they can be handled through negotiations and discussions and involvement other than the manner in which they have been handled in the past. They have really been obstructing progress in many instances through this instance.

REGULATIONS OF DEPARTMENT OF EDUCATION

Senator SPECTER. Miss McFadden, do you have an opinion as to whether the Federal Department of Education ought to be retained?

Ms. MCFADDEN. Yes, I think they should be retained, but the regulations are so confusing. They have their regulation and you think you

are going by them and then there seem to be a different set of regulations to the State and it's so confusing as to which regulation are you supposed to go by.

Senator SPECTER. Do you agree with President Reagan that we ought to cut doen the regulations?

Ms. MCFADDEN. Not necessarily cut down the regulations but all the redtape that you have to go through. I think they should be more universal.

FLEXIBILITY IN ED REGULATIONS

Senator SPECTER. Ms. Myers, do you have an opinion as to the retention of the Federal Department of Education?

Ms. MYERS. Yes, I would go along. I think it should be retained but I would like to address the regulation issue, if I could, and that is that there's certainly a necessity for regulations but I think that there should be more flexibility in regulations. Programs involve people and I think that there has to be more flexibility written into it to permit program managers the options to move in one direction slightly or another direction in order to achieve the goal of the program and the intent of the program.

PROPOSAL TO ABOLISH ED

Senator SPECTER. Mr. Murray, there is some thought that your union originally opposed the creation of the Department of Education. Is that factually correct?

Mr. MURRAY. That is, Senator, yes.

Senator SPECTER. What is your opinion at the present time?

Mr. MURRAY. Well, I think that the Department of Education should be abolished and go back to the HEW structure that we had before. I believe that at the outset when this was proposed under a previous administration in Washington our concern was that if education policy is to be set by one person in the capacity of Secretary of Education there would be less of a chance from other avenues to approach that secretary to try to amend a policy or to in some way divert the policy in other directions or dilute the policy in what we would consider favorable directions for our members and in HEW we found that that kind of structure at least did not move or put a monolithic lineup there that educational policy would go that direction to try to in some way change the policy, moderate the policy so that it could be beneficial to the programs we felt had to be addressed. This kind of concern is raised and I think it's germane to the kind of discussion we have here when we talk about categorical versus block grants. I think that this is the kind of thing that if you had education couched in HEW you would be able to approach it from many other sides rather than just the educational side.

Senator SPECTER. And your preference would be to return education to Health and Human Services?

Mr. MURRAY. HEW.

Senator SPECTER. In formulating the question for this hearing the chairman of the subcommittee, Senator Harrison Schmitt, posed these three questions: First, what adjustments in your activities are required as the result of changes included in the Federal budget as modified by the recently approved fiscal 1982 budget reconciliation provisions, and I think this panel has directed a fair amount of attention to that question.

The second question is: What is the capability of State and local government entities to assume a greater share of the cost of the administration of Federal programs of concern to you? And there has been some attention addressed to that question, but perhaps one of you ladies or gentlemen would care to supplement your testimony as to the capability of the State and local governments to assume a greater share of the cost.

Dr. MARCASE. There is no capability at all. We can't maintain basic programs in Philadelphia that are highly essential just to continuing with the level of progress that we have shown in the past. It's impossible financially to think in terms of being able to pick up any of these programs either through local sources or State sources.

Senator SPECTER. You would apply that conclusion to the State funding as well as local funding?

Dr. MARCASE. Absolutely.

CAPABILITY OF FEDERAL GOVERNMENT TO FUND

Senator SPECTER. Dr. Marcase, what is your opinion as to the capability of the Federal Government to fund?

Dr. MARCASE. In terms of funding?

Senator SPECTER. In terms of money.

Dr. MARCASE. Well, I think that they can economize in many ways that perhaps haven't even been explored and provide more dollars to local districts.

Senator SPECTER. Do you have any suggestions?

Dr. MARCASE. Yes, I have suggestions. I think they ought to look into their own bureaucracies. I mentioned one area in the Department of Education. I think they suggested tremendous cuts in social welfare programs and other types of public employment programs. Yet, again, I personally haven't seen or read to any great degree where they have trimmed their own operations down throughout the United States. I think that they could do that. I think there are tremendous savings that would certainly eliminate some of the redtape that has been mentioned here earlier. They are just sitting out there waiting for the opportunity to come in and interfere with local operations.

I think if there were less of those employees around the country and in these offices that that money could be channeled directly into some of these services.

FEDERAL VERSUS STATE DEFICIT SPENDING

Senator SPECTER. The State of Pennsylvania and the city of Philadelphia and the school district are required by law to maintain balanced budgets. The Federal Government is not required by law to maintain a balanced budget. The Federal Government continues to run at a deficit.

When you say, Dr. Marcase, that there are no sources of funding available to the State or local level, do you think it is wise as a matter of national policy to continue the tremendous deficit spending that the Federal Government has undertaken for many years in order to maintain the kinds of programs you have testified about?

Dr. MARCASE. I think those programs are essential. I think that the Federal Government has a responsibility to examine, first of all, its sources of revenues to determine whether the local communities are receiving a fair return for the dollars that have actually gone into the Federal treasury.

Senator SPECTER. Dr. Marcase, why do you say that the Federal Government has the responsibility more so than the State or local governments?

Dr. MARCASE. Because they are the recipients of these massive amounts of dollars that come out of the salaries of individuals at the local level.

Senator SPECTER. But so are the States and local governments.

Dr. MARCASE. I don't think to the degree that the Federal Government receives those funds.

Senator SPECTER. The Federal Government is now spending more than it takes in. Do you think it should continue to spend more than it takes in to fund those kinds of programs?

Dr. MARCASE. Over a period of time I think that they are going to scale down their spending. I think eventually they should balance the budget but I think it should be done over a period of time. I think they should examine their own bureaucracies nationally. I think they should examine spending of all programs, including military, and I don't think that education should be sacrificed for dollars going into these other programs and I certainly don't believe that the country will benefit by the current policies of tremendously high interest rates, the inability of young people to purchase homes, the inability of the construction industry to continue with programs that have led to employment. I think that's a very serious matter and I hope that that doesn't occur over a pretty long period of time.

Senator SPECTER. Mr. Murray, would you care to comment on the relative considerations on additional funding by State and local government as contrasted with the Federal Government, given the requirements of law that the State, city and school district must have balanced budgets whereas the Federal Government has operated in the red for so many years?

Mr. MURRAY. Well, again, I don't believe—and I agree with Dr. Marcase that the State and local governments are capable of funding any of these programs that are being removed if they are removed under the block grant program. I don't think there is a willingness either in the governmental structure of the State of Pennsylvania to consider the programs that we have here that are unique to the city of Philadelphia. I do believe it is the Federal Government's responsibility ultimately to fund these programs.

Senator SPECTER. Why do you say that? Why is it the responsibility of the Federal Government?

Mind you, I'm not disagreeing with you, but that is a threshold philosophical question which we wrestled with at great length with a very substantial amount of thinking that education is essentially a local matter.

Mr. MURRAY. I believe that the welfare, the lives of anybody who lives in the United States of America ultimately should be able to depend on the Government of the United States of America when all else fails and I'm telling you—and I think Dr. Marcase is telling you—that in this situation the State and local governments have failed and to have the Federal Government bail out now with some kind of a program that would put money in other areas and to leave these programs high and dry, they are not going to be there and we do have a responsibility, if only as a Federal Government, to the citizens of the United States to see to it that these programs are supported and maintained for the welfare of the people that they serve.

I think if it requires some more years of unbalanced budgets, I think that's something that we are going to have to consider on a priority level. What is more important, the interest rates and the inflation that they have had, as Dr. Marcase has outlined, on people trying to purchase things and to live their lives and to balance their own family budget or the welfare of the people that we serve in these programs and the rewards that would come from them to the citizens, indeed, of the United States?

I don't know that we are moving in the right direction to say that, above all, we must balance the budget and we must reduce spending, particularly in the public areas. I just don't believe that's fair.

BUREAUCRACY IN PHILADELPHIA SCHOOL DISTRICT

Senator SPECTER. When the issue is presented to the Congress, the Senate, as to a continuing of the deficit spending, the committees consider what is in the public perception of the way the school districts are operated.

Dr. Marcase, you have commented that the Department of Education on the Federal level ought to reduce its own bureaucracy. What about the bureaucracy of the School District of Philadelphia? What is your response to the substantial criticism in the public media about excessive bureaucracy and patronage within your own administration?

Dr. MARCASE. Well, first of all, I reject categorically any charges that there is wholesale patronage in the Philadelphia Public School System. I disagree with that. I think I could substantiate the fact that there is little or none. In any organization which is as large as ours you will find some waste and you will find some irregularities. However, I believe that we have scaled the system down.

Senator SPECTER. Has there been a scaledown of the system?

Dr. MARCASE. There certainly has. In the administrative area over——

Senator SPECTER. To what extent?

Dr. MARCASE. Perhaps there needs to be some additional scaling down. we are willing to critically analyze our operation and work together with anyone who would like to assist in examining our system. We have had investigation after investigation that you hear generalities that come from those investigations. The recent city/State audit required that 40 auditors come into the School District of Philadelphia and spend 3 months in examining the books and there was all kinds of rumors that this audit would disclose this tremendous patronage and waste and mismanagement and fraud and the general conclusion of that audit were that the cost of education was high because there had been certain concessions made to unions in the past and that the school district was, to quote them, unwilling or unable to make hard decisions that would lead to economy.

I mean, there were no solutions. I don't recall any part of that audit that disclosed any of these perceptions that have been raised by the media.

TEACHER REDUCTIONS

Over a period of time we have scaled down the number of teachers. This is a case in point that I think is very valid to these hearings. Public Law 94–142 and other judicial orders and consent decrees have greatly increased the special education staffs. So while we have been declining in teachers for general education 300, 400, 500 per year, we have been increasing in the number of special education teachers and staff that are required to comply with Public Law 94–142 and other types of orders.

So if you look at the net result, you don't see any tremendous decrease in the number of teachers but you've got to look at it categorically, to use that word, to really be able to make that determination and there have been surveys after surveys and it depends on who makes the surveys, but——

SALARY LEVELS IN SCHOOL DISTRICT

Senator SPECTER. Dr. Marcase, do you conclude that they were in error when they said in that audit that the salary levels are considerably higher in your school district than in other comparable Commonwealth districts such as Pittsburgh, Scranton, and Erie?

Dr. MARCASE. I don't think you can compare Philadelphia with Scranton and Erie.

Senator SPECTER. How about Pittsburgh?

Dr. MARCASE. And even Pittsburgh. Pittsburgh is a much smaller school district than Philadelphia. I think you ought to compare Philadelphia with New York, Chicago, Los Angeles, and Dallas and I think that you will find these statistics that we have, even though it's been refuted by the media, is that we are slightly below some of those cities or on a par and I think that that's where the comparison should be made.

Senator SPECTER. What about their statement that more than 200 department heads received considerably more pay without a clear differentiation of supervisory responsibilities?

Dr. MARCASE. I disagree with that finding.

Senator SPECTER. Factually incorrect?

Dr. MARCASE. I think so, yes.

Senator SPECTER. Is there any significant number of department heads who receive considerably more pay without a differentiation in duties?

Dr. MARCASE. First of all, I imagine they are alluding to the cabinet level positions. We have a classification of department heads in senior high schools. I don't know whether they are alluding to them. If they were, department heads in senior high schools I think carry out a very important function, are paid according to the agreement that were reached in prior contracts and there's very little that we can do about that. I think that that was the reference.

Senator SPECTER. Dr. Marcase, I would find it helpful if you would provide to the subcommittee the response as to some of the accusations that have been aired publicly because I could tell you when these issues were discussed at the subcommittee level, those charges have a way of finding themselves into the volumes of committee reports everywhere and that it would be very helpful to the subcommittee to have your responses. Whether you have had an opportunity to respond in the public media is not—that is something that would be of interest to us and if you care to make any further response at this time, we would be pleased to receive it.

Dr. MARCASE. It's just that we have responded in detail to the audit and we will make that available to you immediately. As far as some of the other allegations——

Senator SPECTER. Have you made responses to the allegations of prominent people in the city receiving preferential treatment in terms of employment, pay categories?

Dr. MARCASE. Not specifically, but we certainly could.

Senator SPECTER. I think that would be something which would be very useful to have.

Dr. MARCASE. Fine.

Senator SPECTER. Mr. Murray, let me ask you the same question. With regard to the concept of perception, to the extent that it exists, of a very powerful union which has exacted more by way of teacher prep time or more by way of built-in protections, what is your response to that, if you care to give one?

Mr. MURRAY. Well, I don't know what the criticism of what that would be, Senator. We have a very strong organization in Philadelphia. We are the largest local union in the entire Commonwealth. When we negotiate a contract with the board of education and the city of Philadelphia officials, that contract comes out and says agreement. It isn't something that I have seen characterized lately in the media as a hold-up or as some kind of a pressure group that holds the board and city officials hostage. We sit down at a table and agree upon these things and if the city officials are now taking exception to them being in our contracts, I fail to see the merit in their argument being raised in 1981 when they were placed in the contracts in 1966.

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My concern is that we as a union organization have to look out for the rights and benefits primarily of the members that we represent. I thik we have done better than an adequate job in that in the city of Philadelphia. I don't hold that necessarily as a negative factor in the educational system of this city. I think it's a positive factor. It attracts people who are interested in being here. Just the same as in Government, if the salarey is commensurate with the duties that are performed and if it's higher than the duties that are performed you will attract better people to those jobs. We believe in that concept thoroughly in Philadelphia.

Senator SPECTER. Well, you summarized it as better than adequate which I think is doubtless a fair summary and it is a complement to the skills which you have brought to the negotiating table that you have been able to mold the kind of a contract which you have.

The question then arises as the matter comes to the Senate, and we are considering what additional funding ought to be possible on the subject matters which we have discussed today: Has John Murray done too good a job? Are there too many benefits which flow, albeit very appropriately negotiated, very legitimately achieved, but is there an imbalance because of Mr. Murray's extreme skill?

Mr. MURRAY. Senator, I can only answer that by stating that the city of Philadelphia, if we can just take that as an entity, had an increase in its budget this year of 12 percent. If the school district got the same increase in its budget there would be no difficulties existing between myself and the board of education and the city officials. I believe that there's more of a question of a political battle going on over these issues. Did John Murray or others who preceded him in this capacity do a better job or too good a job? I don't believe we can do too good a job. I don't believe that's really at stake here. The media is touting the fact that the educational programs of the city of Philadelphia are failing because the teachers are the highest paid in the country. I dispute the latter fact. We may be among the highest, and I take pride in that. I think we are among the largest school disctrict in this Nation and I think we should be among the highest paid in this Nation.

I don't believe that we can in any way say that because of our salaries and benefits that we negotiate that the school district is failing to meet the educational needs of the children and I think that's a scurrilous argument and one that's just intended to inflame the rhetoric and to develop a political setting beneficial to other parties.

PUBLIC RESPONSE TO CONDITION OF PHILADELPHIA SCHOOLS

Senator SPECTER. Mr. Murray, what is your feel for the polls which have been quoted in terms of public response that 75 percent of the people feel the school district is in deep trouble? Do you think there is any problem created by that kind of a public perception or would you disagree with the poll findings?

Mr. MURRAY. I don't know whether I disagree with the poll findings, Senator, but the interesting part about it is 81 percent of all the people polled did not have any interest or children in the Philadelphia school

system. If that's legitimate enough, if those figures can be relied on as the perceptions of the public out there, I think that's a disservice to education.

More importantly, to capitalize on that kind of a poll and to run a series of articles in the media in any form that castigates the school system and call it the shame of the school system rather than try to encourage people to get involved in the school system, take an active and interested part in it, I think that is doing a greater disservice and I challenge anyone to come forward and let's go through that school system and see what we can do to put some positive aspects on the story of education in the city of Philadelphia and where we find the negatives, don't put them on the front page of the newspaper but get into the rooms of the people who have to deal with them and try to work out what they see as the negative.

I think that the media in this city is doing a great disservice to education but I think they are doing the political bidding of other parties.

REDIRECTION OF PRIORITIES

Senator SPECTER. Let us move on to the third question which was posed by the chairman of the subcommittee, Senator Schmitt, and it is: What changes in funding priorities would you recommend be considered by this subcommittee to improve taregeting and efficiency of Federal programs?

The thrust of that question is that, given the cuts which are currently on the books, where would you like to see the priorities be redirected? Do you have any thought on that, Dr. Marcase?

Dr. MARCASE. Well, I don't know where our priorities rest. I would say that title I would have a very high priority and No. 1 priority. Education of the handicapped would have almost an equal priority. Bilingual and impact aid—I'm not suggesting that the other areas could be cut deeper to provide additional funding for those but I would like to see those programs maintained at their current levels, hopefully, with funding coming from other sources or the cut in education funding being reduced I think commensurate and comparable to other cuts.

PRIORITY IN BILINGUAL EDUCATION

Senator SPECTER. Would you have any thought as to the priority, Ms. McFadden?

Ms. MCFADDEN. Well, title I would be the No. 1 priority that I would like to see continued. Bilingual education is very important to the school system because we have an influx of the Puerto Rican and other students that speak another language and they do need that bilingual education to function in the regular classroom and the other programs that Dr. Marcase mentioned would be my priority too.

Senator SPECTER. Miss Myers?

LIBRARY FUNDING

Ms. MYERS. Well, in the library field obviously I'm interested in the library titles and the original ESEA Act, Senator, we had title II which was earmarked specifically for school libraries. In the recent act it has been incorporated into title 4B. I would like to see the library funds maintained. We need them.

Senator, I think that we should talk on a positive note and say just what Federal funds have been able to do and at the inception of ESEA and the original library title the School District of Philadelphia had 1.9 library books per child. We have well over 10 titles per child now and that is due to an infusion of both operating budget and Federal funds. The two of them together have enabled us to build a beautiful library program in the city and reading is a priority, the top priority of the school district. Children need books. All the children can take books home. We have a regular library program and I think this is a very, very big plus.

When I first started I would go into a school that had 200 books and say to teachers, "These books are terrific," but there were 900 children in a building and we couldn't circulate them and now children take one, two books home a week and that is a big difference and Federal funds have enabled us to do it.

Along with operating budget funds——

Senator SPECTER. It's nice to hear that positive note. What do you think the chance will be for library funding if you have to compete with others on block grants?

Ms. MYERS. We've got problems, serious problems—I know it—if we have to compete. How bad, I don't know.

Senator SPECTER. I'd like you to monitor that and let us know.

Ms. MYERS. I'd be glad to.

Senator SPECTER. Because if it doesn't work out, as I say, it is not cast in concrete.

PRIORITIES ASSIGNED TO AVAILABLE FUNDS

Mr. Murray, would you care to make a suggestion as to the priority issue? How would you target the limited Federal funds available?

Mr. MURRAY. Once you start prioritizing, Senator, you end up giving the impression that those you don't end up putting on top of the list you are willing to see cut out. I'd like to go back to the original act and the thrust of it back in the late 1960's.

Aside from the comments that Dr. Marcase and Ms. McFadden have made about title I and the bilingual programs, I think any Federal moneys that come into the primary grades to reinforce reading and the early childhood programs that benefit the children who have preschool experience, I think that it's been shown in the city of Philadelphia here that the records of the children who have the preschool experience achieve at a faster rate and at a better rate and at a higher level than any child across the city of philadelphia, whether he comes from a disadvantaged area or an advantaged area, that their level of achievement in the public school system and my concern is that we have been trying

to put a stop on the cutback from title 20 money out of the Social Security Administration through DPW and the State of Pennsylvania as it affects the get set program here and we have a very successful record in the get set program and the children that go through that program and their records kept from grades 1 through 4 have done better in the school system than any child who has not experienced that program and I find that in the last 2 years there have been moves to cut moneys out of that type of program and certainly this goes back to my concern about the State's willingness or capacity to deal with the needs of Philadelphia.

They also have put a cap on the availability of money to Philadelphia and, indeed, threatened if there were any supplemental agency funding, these types of programs they would cut out all the money altogether. We have been managing to try to walk the line between the politics and the education on these items but I think we are in trouble if we have to compete again on a block-grant program for moneys that come into those essential programs.

Senator SPECTER. Dr. Marcase, Ms. McFadden, Ms. Myers, Mr. Murray, we thank you very much. We will move on to panel 2 but first we will take a 5-minute recess.

[A brief recess was taken.]

CENTENNIAL SCHOOL DISTRICT

STATEMENT OF JOSEPH A. ALBANO, CENTENNIAL SCHOOL DISTRICT

PREPARED STATEMENT

Senator SPECTER. Welcome, gentlemen. We thank you for joining us for these hearings, Mr. Albano, Mr. Gentile, and Mr. Rafsky.

Mr. Albano, we have you at the start. We appreciate receipt of your testimony in advance.

[The statement follows:]

PREPARED STATEMENT OF JOSEPH A. ALBANO

BUSINESS ADMINISTRATOR

CENTENNIAL SCHOOL DISTRICT

Mr. Chairman and Members of the Committee:

On behalf of the Centennial School District, I appreciate this opportunity to present testimony on the importance of Impact Aid (PL 874 and 815) in providing education for Federally connected children as well as all other children served by our schools.

This report is an updated statement presented before the Commission on the Review of the Federal Impact Aid Program in Washington, DC on February 1, 1980 by Dr. Harry P. Quinn, Superintendent of Centennial School District.

The Centennial School District, created by the General Assembly of the Commonwealth of Pennsylvania, serves the Municipalities of Ivyland Borough, the Township of Upper Southampton and the Township of Warminster. The Centennial School District is situated in Bucks County; it is located northeast of Philadelphia and lies within the 8th Congressional District.

In 1979/80 the Centennial School District served 9,953 students with a total expenditure of $25,423,000 or a per pupil cost of $2,554. The major portion of revenue is from local sources, which represent 62.5% of all budget receipts. (The Real Property tax and other taxes produce 90.9% of local source revenue.) State revenue sources contribute only 31.5% of all revenue while Federal revenue sources make up 6.0% of the total, 3.9% being non-categorical Federal funds.

In 1979/80 the Centennial School District's average daily membership was 9,953. Of this figure 1,861 or 18.7% represents students who either live on Federal property or whose parents work on Federal property. While it may seem insignificant, the Impact Aid Revenue for the Federally connected students, which represents approximately 3.6% of our budget, is a vital part of the basic educational program support for our School District.

Centennial School District has been a recipient of Impact Aid funds

since their inception in 1950. Within the District boundaries is the Johnsville Naval Air Development Center, situated on approximately 650 acres and containing landing strips, aircraft hangars, centrifuge, PX, enlisted men's barracks, approximately 200 dependent housing units, six units of officers' quarters, Captain's quarters, research labs and office facilities. (See Exhibit I)

This military installation lies within an area designated by the local zoning and planning agencies as "industrial use". This property has an assessed value of $8,231,330 and is exempt for tax purposes.

If this Federal installation were placed on the tax rolls and the Federal Government paid its full share as do all other property owners, the revenue produced would be a minimum of $1,218,236 even without appropriate reassessment. Entitlement for this property under Section 2, PL 874 for 1979/80 was $689,332, a loss of tax revenue of $528,904 (See Exhibit II). This loss was recognized by the U. S. Congress when PL 874 was first drafted in 1950. To compensate for the deficiency, Section 3b Entitlement was written into the enabling legislation and appropriations were provided. This wisdom prevailed until the beginning of the seventies. During the last decade, legislative changes created inadequacies in entitlement. In the past few years such changes, exacerbated by actual appropriation decreases, have led to what has rapidly become a totally insufficient and inequitable entitlement.

Assuming that the approximately 650 acres of Federally-owned property were to be developed into residential housing units on minimum size lots of one quarter acre, and further assuming that 20% of 130 acres would be set aside for streets and throughways, leaving 520 acres for houses, then the 520 acres would produce 2090 houses at an average assessment of $8,000 and would add $16,640,000 to the tax rolls. At the current millage rate of 148 mills, the tax revenue to the School District would be $2,462,720. It must be stated, however, that a change to residential zoning, in the event that the tract were not used as a Federal installation, is highly improbable.

If, on the other hand, this Federally exempt property were privately owned with industrial use zoning, and the assessed value was in line with

surrounding industrial facilities, the tax revenue would be substantially greater for the School District. (See Exhibits I and III)

If Impact Aid to Centennial School District is eliminated by the Federal Government, it will require an additional 11 or 12 mill tax increase ($1,100,000 to $1,200,000). This estimated increase does not take into consideration necessary budgetary increases to compensate for inflation, energy cost increases, and other factors. Obviously, a combination of such increases would be both unconscionable and unbearable to the local district taxpayers who are now paying a tax rate higher than any in the surrounding area.

To do other than increase the tax rate to recover the loss to Impact Aid would require the alternative of reducing expenditures. Our budget is a typical school district budget which means that salaries constitute approximately 68%, with fixed charges and debt service of approximately 20%. This leaves 12% of the total budget to cover books, supplies, equipment, energy costs, and plant operations and maintenance. To achieve the alternative of reducing expenditures would necessitate eliminating staff positions, reducing or eliminating programs and curtailing services, all of which would affect the learning of all students in our District.

Before concluding, I think it germane to comment briefly on the Centennial School District program as it now exists, with particular attention to the special services which are currently available to the students of Navy families located at the Johnsville Naval Air Development Center.

It should be understood that even though the formulas currently used to reimburse the District recognize that there are children with special needs, such formulas do not approach reimbursing the true cost of servicing such special needs. This is not to say that the District is unfeeling where such students are concerned; on the contrary, all necessary additional expenditures over and above those received via the reimbursement formula are subsidized by the local taxpayers of the Centennial School District.

Exhibit IV deals with the scope of services offered to the children who reside in military housing. It should be noted that services required and provided to this population exceed, on a percentage basis, those used by the remaining pupil population of the District.

The loss of Impact Aid to the Centennial School District would have a disastrous effect on our instructional programs and on our property owners. There is an injustice inherent in the current situation; the projected changes would prove devastating.

The original intent of PL 874 and PL 815 was to provide an equitable share of revenue to compensate for the loss of local tax funds. The evidence presented clearly shows that, in the case of the Centennial School District, such Impact Aid is both justified and essential.

EXHIBIT I

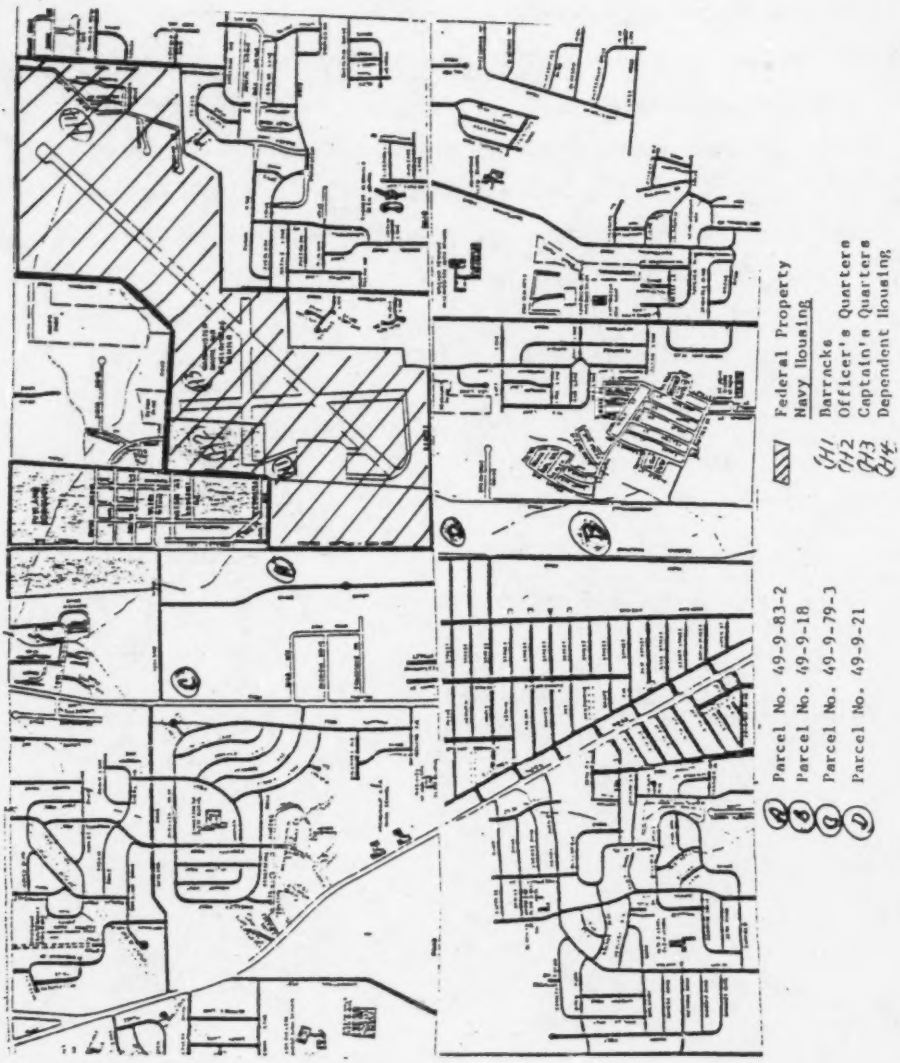

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EXHIBIT II

TAX EMEMPT FEDERALLY OWNED PROPERTY -

JOHNSVILLE NAVAL AIR DEVELOPMENT CENTER

Assessed Value (AV) 1980	$8,231,330
1980/81 School Tax Millage on Real Property	148 Mills
Real Property Tax Revenue	$1,218,236
Impact Aid 1980 Entitlement Section 2	289,332
Loss of Tax Revenue from Federal Government	$ 528,904

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Since the Federal installation is situated within an industrial zoned area it is fair to assume that the approximate 650 acres of Federally owned property would become an extension or addition to the already contiguously existing Industrial Park.

If we can assume that the present assessments of existing industries located in the industrial area were to be applied to the 650 acre Federal property there would be added to the tax rolls an assessed value ranging from a low range of $9,239,100 to a high range of $22,189,050. The tax revenue derived would range from $1,367,386 to $3,283,979.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Parcel* Number	Size of Parcel	Existing AV	AV/Acre Existing Parcel	650 Acre Federal Property	AV Federal Property if on Tax Rolls	Current School Tax Millage	Projected Tax Revenue from Federal Property if on Tax Roll
				(3 ÷ 2)		(4) X (5)		(6) X (7)
* A	49-9-83-2	28.5	405100	14214	650	9239100	148	1367386
* B	49-9-18	9.5	168200	17705	650	11508250	148	1703221
* C	49-9-79-3	34.5	625200	18121	650	11778650	148	1743240
* C	49-9-21	8.17	278900	34137	650	22189050	148	3283979

* See Exhibit I

AV = Assessed Value

EXHIBIT IV

CENTENNIAL SCHOOL DISTRICT

SERVICES AVAILABLE TO NAVY FAMILIES WITH STUDENTS

IN THE CENTENNIAL SCHOOL DISTRICT WHO LIVE WITHIN NADC

A segment of the Centennial School District population comprises those pupils who are attending our schools because their parents are assigned to Johnsville NADC or Willow Grove Naval Air Base.

In working with the Navy families and students it has been found that the transient life style and varied educational settings take a toll in their adjustment to school.

Because it is necessary to collect previous educational and health records from former schools attended, the gaps in continuous service are evident. Service-related resources (e.g., the Navy Hospital in Philadelphia) are inaccessible for most families. The families' cooperation in following recommendations for physical, academic and emotional treatment is often affected by the length of assignment to these stations.

Although Navy students represent about 18% of the school population, approximately 40% of the counselor referrals are for this group. Twenty percent of school social work is devoted to Navy students. There are now 17 students enrolled in programs from special education and classified as handicapped.

In response to the needs that these students present, the Centennial School District provides additional services and staff to the schools which the Navy students attend. The following services are provided:

Social Services	Psychological Services	Reading Specialists
Health Services	Adaptive Physical Education	Counseling
Speech Therapy	Psychiatric Consultation	Special Education
Physical Therapy	Hearing & Vision Specialists	

CONSEQUENCE OF IMPACT AID REDUCTION ON CSD

Senator SPECTER. I have noted your statements generally and I'd like to start with the comments which you make on page 3 that if impact aid to the Centennial School District (CSD) is eliminated by the Federal Government, it will require an additional 11 or 12 mill tax increase.

My question to you is: Given the consequence of what appears to be a reduction in impact aid, how does that leave the Centennial School District?

Mr. ALBANO. If the impact aid were reduced or eliminated?

Senator SPECTER. We know what the proposals are. The impact aid has been reduced. It hasn't been totally eliminated. You have noted in your testimony that you have Federal installations in fairly heavy proportion in the Centennial School District and my question to you is: Where does that leave you?

Mr. ALBANO. Let me see if I understand your question. With the cuts in the impact aid and what it means to Centennial, first of all, we feel the latest proposals are attempting to eliminate or attempting to not fund A and B category children. Although the installation is located in the district and we are entitled to section 2 funds and that's what the testimony is pointing toward, Senator, that the installation located in the district, we feel the Government is not meeting its obligations. There's a deficiency in comparison to other property owners, industry in the Centennial District and we feel that the Federal Government should meet its obligations as all other property owners in the district.

Senator SPECTER. Mr. Albano, the proposals nationwide would reduce the Federal funding from $756,750,000 to $475,000,000, which is slightly more than half. There will be a proportionate reduction if these figures are carried into effect finally.

LOCAL TAX INCREASES

What will be the specific consequence for Centennial? What will the school district have to do? Are you going to have to raise local taxes?

Mr. ALBANO. We don't know what the $435 million is in the authorization bill, we don't know what the Appropriations Committee is going to do with that, what kind of formula they are going to do with that, what kind of formula they are going to set up. All the talk has been eliminate B's, phase out B's, only fund super A's. If the formula is that the super A's are funded, Centennial School District stands to lose approximately 400-some thousand dollars. This would mean cutbacks or finding other sources of revenue to meet that loss and without the added revenue then we have to go in and cut or make the expenditure cuts.

In the staff area we have been reducing our staff because of decreasing enrollments. Then we will have to continue that.

DECREASING ENROLLMENTS

Senator SPECTER. You say you are having increasing or decreasing enrollments?

Mr. ALBANO. Decreasing enrollments and we have been laying off staff. This would mean the cuts would go deeper or some balance of whether it's in the supplies or whether it's in the staffing. We would have to make up 400-some thousand dollars.

EFFECT ON BUDGET FROM INCREASED DEFENSE SPENDING

Senator SPECTER. What would your expectation be if the Defense budget is increased? Do you know whether or not that would be likely to have an effect on the enrollment of your district?

Mr. ALBANO. If the Defense budget were cut?

Senator SPECTER. Increased.

Mr. ALBANO. Increased?

Senator SPECTER. It's unlikely to be cut. Some of the increase may be cut, but not overall.

Mr. ALBANO. If it were increased, I don't know what effect that would have on our district. There is certainly movement afoot to expand in our area. There's proposed housing on one military installation that is in the adjacent district. We have been the recipient of Federal housing just several years ago and there's more housing that is proposed in our general area. There may be a step-up in activity in our district and surrounding districts.

Senator SPECTER. Mr. Albano, we would be appreciative if you would stay in touch with us as these formulas become specific because we do want to know what the consequences are in districts like Centennial and again I repeat we are going to have to see what the experience is like and modify our actions accordingly because we cannot possibly, sitting in Washington or Philadelphia or wherever we may be, understand the full ramifications of what is going to be the consequence on a district like yours. So please stay in touch and let us know.

Mr. ALBANO. Yes, sir.

ASSOCIATION FOR RETARDED CITIZENS

STATEMENT OF ERMAN·ANTHONY GENTILE, EXECUTIVE DIRECTOR, ASSOCIATION FOR RETARDED CITIZENS, PHILADELPHIA CHAPTER

PREPARED STATEMENT

Senator SPECTER. Let us turn to Mr. Gentile. You are the executive director of the Association for Retarded Children.

Mr. GENTILE. Retarded Citizens.

Senator SPECTER. We very much appreciate the submission of your testimony in advance. We would ask that you summarize your full testimony which will be made a part of the record.

[The statement follows:]

The Association For Retarded Citizens

— PHILADELPHIA CHAPTER —

PREPARED STATEMENT OF ERMAN-ANTHONY GENTILE
EXECUTIVE DIRECTOR

Honorable Committee Members:

My name is Erman-Anthony Gentile, Executive Director of the Association for Retarded Citizens, Philadelphia Chapter. I am honored and pleased to have the opportunity to address this Committee on the subject of federal funding of education programs.

My organization represents the interests of retarded citizens in Philadelphia County, of whom there are approximately 60,000 to 150,000. We are a nonprofit, private membership agency. We are part of the largest advocacy and service provider association for handicapped people in the United States.

Our involvement in issues covers the entire spectrum of services involved in the prevention, treatment and care during the life of the retarded citizens and their family. The dominant imperative involved in the spectrum of essential services is Education. Education is the single highest priority in the lives of developmentally disabled individuals.

My concern here today is profound! I am concerned that if your strong leadership and support of special education is withdrawn, we shall all see a potential return to archaic "warehousing", locked closets in homes and a major collapse of a foundation to which we have all contributed and built into something that is in the process of becoming beautiful, humane, right and moral -- FREE QUALITY PUBLIC EDUCATION FOR ALL HANDICAPPED STUDENTS!

Education is the single dominant factor which determines whether the developmentally disabled citizen leads an empty, unproductive life, spent either at home or in an institution with accompanying great emotional, social and economic costs for life, or whether he or she can achieve a substantial degree of self-sustaining employment and independent living. It is a fact that over 80% of all people who are handicapped by mental retardation are capable of substantial independence if they are permitted appropriate educational programming.

The ARC-Philadelphia has been the pioneer in - and continues to be - aggressively active in promoting the rights of handicapped persons to a free, quality public education. For instance, we are currently, and have been since March 1977, petitioning litigants against the School District of Philadelphia under and seeking compliance with the terms of the Consent Decree resulting from the precedent setting case of PARC v. Commonwealth. In addition, we have carried out many successful projects with local education agencies; have an established record of obtaining and successfully completing government grants and contracts in the field of education and are actively involved in state-level education policymaking.

Senators, we feel strongly about the role of the federal government in education - especially Special Education. The existence of federal statues and appropriations is an imperative.

In the remainder of my testimony, I hope to demonstrate this by telling you about how things used to be, what our role has been in dealing with education and retarded citizens, the nature of the responsibility assumed by the federal level, and the profound improvements and benefit that have accrued.

Senators, the history of handicapped children and public education is one of exclusion and denial. Time was in the not-too-distant past when the birth of a retarded child was an almost certain condemnation of the family to despair and hopelessness. There was little expectation that the newborn would ever enter a public school, not to mention the possibility of receiving any education. It was a foregone conclusion that whatever inherent potential might exist in the individual would be lost.

Mentally disabled children were generally denied even access to the schools. Adequate programming was not even a consideration.

In fact, as recently as 1971, school officials in Pennsylvania were authorized by state law to "...refuse to accept or retain beginners who have not attained a mental age of five years..." 24.P.S. 13-1304.

Thus, with few exceptions, a five-year-old child with a mental age of less than five years did not get in the public school door. Those who did get in received little or no programming that was responsive to the learning capabilities of the particular student.

The years 1971 and 1972 marked a turning point in this situation. Concerned parents filed suit under the caption of PARC v. Commonwealth in the U.S. District Court for the Eastern District of Pennsylvania, arguing

that the exclusion of their children from public education programs was unconstitutional. The case resulted in a Consent Decree finalized by the Court on May 5, 1972. (I am attaching a copy for your information.)

By the terms of the Decree the Commonwealth agreed that handicapped children have a constitutional right to public education on the same basis as regular education children. Furthermore, the state agreed to cease and desist from enforcing state laws that denied access to the public schools by mentally retarded children. It further agreed to actively begin locating and identifying mentally retarded children and to develop comprehensive plans for appropriately educating these children under a program called Child Hunt.

In the following years tremendous gains were made. More and more children were admitted to the schools. Programs began to develop. On a national level other federal courts extended the PARC principles to all handicapped children.

But this was not enough. There was no enforcement authority to apply the law systemwide. There was not enough money. There was no comprehensive statement of what education officials had to do to ensure equal educational opportunities.

So parents, advocates and concerned professionals went to the United States Congress and asked for a law providing funds to aid states in educating handicapped children and specifying the rights and procedures that would assure the availability of programs.

Responding, Congress enacted The Education for All Handicapped Children Act (P.L. 94-142) in 1975, and the former Department of Health, Education and Welfare subsequently promulgated implementing regulations. With this Act began the first systematic and comprehensive effort to treat handicapped children equally with normal children in our educational system.

In designing P.L. 94-142 Congress relied heavily on the 1971 PARC case and the results of Pennsylvania's experience. Many concepts and phrases are common to both the Consent Decree and the statute.

What have been the results of these court decisions and the federal law?

First, and most important, handicapped children of all classifications are in school. They are receiving an education. In

Philadelphia County the school system is serving approximately 14,000 young students who are handicapped.

To aid in providing these children with special learning challenges with an education many concepts and approaches have been mandated and are being used daily.

* Each child is educated pusuant to an Individualized Education Program (IEP).
* Children are individually evaluated by multidisciplinary teams who consider all of the special challenges facing each child - medical, social, psychological, educational. In Philadelphia, these are called Child Study Evaluation Teams (CSET).
* There is parent participation in the education process along with parent training so that the special insights that come from this context are not lost.
* There is personnel development through inservice training to aid administrators and teachers in meeting the needs and professional challenges of this unique population that is taking its rightful place in the public schools.

The result of all this is that human lives are being developed and enhanced that formerly were expended in isolation and rejection. This is of benefit to the individual, their family, and the public.

Consider the following:

It is estimated that institutionalization costs in Pennsylvania are in excess of $55,000 per annum - and rising - for an individual. In the past an individual in such a setting would have contributed little to society in the way of social interaction with the community, serving in the work force, contributing to the tax fund, and acting as a community economic factor by self-support activities such as rental housing and personal shopping. Yet the overwhelming majority of mentally retarded people are capable of these social and economic functions. As we have noted before, education is the critical factor.

What does the alternative cost? Reasonable estimates consider a public school education, with the child maintaining family ties at home, to cost $4,500 to $5,000 annually per student. This is truly an economic benefit.

I would like to conclude my remarks with a general observation on the role of the federal government in Special Education. Senators, the history of special needs children and public education - which I have briefly described - is a profound justification for the intervention of the federal government and for continuing and expanding this role.

We can take no comfort in the currently fashionable political rhetoric characterized by such slogans as "local control" and "returning responsibility to the local governments."

Senators, in the area of Special Education there is little or no responsibility or control to return to the states and counties. As already noted, our own Commonwealth not only never assumed any responsibility in this area but had laws on the books rejecting the responsibility by excluding special needs children from the public schools!

The intervention in - and support of - special education by and at the federal level was and is the single factor that marked the systematic end of the abysmal state of neglect and exclusion that described the status of special needs children in American education.

We believe that abdication of the role assumed by the federal government may signal a return to the deplorable scenes of past times. For instance, on October 3, 1979, Pennsylvania Secretary of Education Robert Scanlon testified before the Senate Subcommittee on the Handicapped. Referring to the state's obligation to provide extended school year services to some students as decided in Armstrong v. Kline, the Secretary stated: "...if the (case) ends up costing my state substantially more than the P.L. 94-142 funds we receive, we will have no choice but to return your money."

Annually, the breach has widened between the authorized appropriation and the lesser actual appropriation from Congress. Annually, we hear more and more dissent from officials and the effort to only maintain the progress achieved becomes more difficult.

We are convinced that the states and local governments will not step in to fill the vacuum if the federal government abandons its assumed responsibility. The result will be a disaster for students with mental retardation, a tremendous burden on the taxpayer as costs mount for caring for institutionalized people ... and the ensuing denial of human rights will provide a tragic threat to the future of our country.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

PENNSYLVANIA ASSOCIATION FOR RETARDED CHILDREN, NANCY BETH BOWMAN, et al.	:	
Plaintiffs	:	
v.	:	CIVIL ACTION NO. 71-42
COMMONWEALTH OF PENNSYLVANIA, DAVID H. KURTZMAN, et al.	:	
Defendants	:	

AMENDED CONSENT AGREEMENT

The Complaint in this action having been filed on January 7, 1971, alleging the unconstitutionality of certain Pennsylvania statutes and practices under the Equal Protection Clause of the Fourteenth Amendment and certain pendent claims; a three-judge court having been constituted, after motion, briefing and argument thereon, on May 26, 1971; and Order and Stipulation having been entered on June 18, 1971, requiring notice and a due process hearing before the educational assignment of any retarded child may be changed; and evidence having been received at preliminary hearing on August 12, 1971;

The parties being desirous of effecting an amicable settlement of this action, having entered into a Consent Agreement on October 7, 1971, approved by the Court on an interim basis that day, and notice having been given to members of plaintiff and defendant classes and certain objections having been raised by members of the classes, the objections having been heard, and in the particulars set forth below, agreed to, and all but one objection having been withdrawn by the members of the classes.

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NOW, THEREFORE, the parties agree this 14th day of February, 1972, subject to the approval and Order of this Court, to the following final amended Consent Agreement.

1. This action may and hereby shall be maintained by plaintiffs as a class action on behalf of all mentally retarded persons, residents of the Commonwealth of Pennsylvania, who have been, are being, or may be denied access to a free public program of education and training while they are, or were, less than twenty-one years of age.

It is expressly understood, subject to the provisions of Paragraph 45 below, that the immediate relief hereinafter provided shall be provided to those persons less than twenty-one years of age as of the date of the Order of the Court herein.

2. This action may and hereby shall be maintained against defendant school districts and intermediate units as a class action against all of the School Districts and Intermediate Units of the Commonwealth of Pennsylvania.

3. Pursuant to Rule 23, Fed. R. Civ. P., notice of the extent of the Consent Agreement and the proposed Order approving this Consent Agreement, in the form set out in Appendix A, shall be given as follows:

(a) to the class of defendants, by the Secretary of Education, by mailing immediately a copy of this proposed Order and Consent Agreement to the Superintendent and the Director of Special Education of each School District and Intermediate Unit in the Commonwealth of Pennsylvania;

(b) to the class of plaintiffs, (1) by the Pennsylvania Association for Retarded Children, by immediately mailing a copy of this

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proposed Order and Consent Agreement to each of its Chapters in fifty-four counties of Pennsylvania; (ii) by the Department of Justice, by causing an advertisement in the form set out in Appendix A, to be placed in one newspaper of general circulation in each County in the Commonwealth; and (iii) by delivery of a joint press release of the parties to the television and radio stations, newspapers, and wire services in the Commonwealth.

II.

4. Expert testimony in this action indicates that all mentally retarded persons are capable of benefiting from a program of education and training; that the greatest number of retarded persons, given such education and training, are capable of achieving self-sufficiency, and the remaining few, with such education and training, are capable of achieving some degree of self-care; that the earlier such education and training begins, the more thoroughly and the more efficiently a mentally retarded person will benefit from it; and, whether begun early or not, that a mentally retarded person can benefit at any point in his life and development from a program of education and training.

5. The Commonwealth of Pennsylvania has undertaken to provide a free public education to all of its children between the ages of six and twenty-one years, and further, has undertaken to provide education and training for all of its mentally retarded children.

6. Having undertaken to provide a free public education to all of its children, including its mentally retarded children, the Commonwealth of Pennsylvania may not deny any mentally retarded child access to a free public program of education and training.

7. It is the Commonwealth's obligation to place each mentally retarded child in a free, public program of education and training appropriate to the child's capacity, within the context of the general educational policy

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that, among the alternative programs of education and training required by statute to be available, placement in a regular public school class is preferable to placement in a special public school class and placement in a special public school class is preferable to placement in any other type of program of education and training.

III.

Section 1304

8. Section 1304 of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 13-1304, provides:

> "Admission of beginners
>
> The admission of beginners to the public schools shall be confined to the first two weeks of the annual school term in districts operating on an annual promotion basis, and to the first two weeks of either the first or the second semester of the school term in districts operating on a semi-annual promotion basis. Admission shall be limited to beginners who have attained the age of five years and seven months before the first day of September if they are to be admitted in the fall, and to those who have attained the age of five years and seven months before the first day of February if they are to be admitted at the beginning of the second semester. The board of school directors of any school district may admit beginners who are less than five years and seven months of age, in accordance with standards prescribed by the State Board of Education. The board of school directors may refuse to accept or retain beginners who have not attained a mental age of five years, as determined by the supervisor of special education or a properly certificated public school psychologist in accordance with standards prescribed by the State Board of Education.
>
> "The term 'beginners, as used in this section, shall mean any child that should enter the lowest grade of the primary school or the lowest primary class above the kindergarten level."

9. The Secretary of Education, the State Board of Education, the named School Districts and Intermediate Units, each of them, for

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themselves, their officers, employees, agents, and successors agree that they shall cease and desist from applying Section 1304 so as to postpone or in any way to deny access to a free public program of education and training to any mentally retarded child.

10. The Attorney General of the Commonwealth of Pennsylvania (hereinafter "The Attorney General") agrees to issue an Opinion declaring that Section 1304 means only that a school district may refuse to accept into or to retain in the lowest grade of the regular primary school or the lowest regular primary class above the kindergarten level, any child who has not attained a mental age of five years.

11. The Attorney General of the Commonwealth of Pennsylvania shall issue an Opinion thus construing Section 1304, and the State Board of Education (hereinafter "the Board") shall issue regulations to implement said construction and to supersede Sections 5-200 of the Pupil Attendance Regulations, copies of which Opinion and Regulations shall be filed with the Court and delivered to counsel for plaintiffs on or before February 23 1972, and they shall be issued and promulgated respectively on or before March 8, 1972 .

12. The aforementioned Opinion and Regulations shall (a) provide for notice and an opportunity for a hearing as set out in this Court's Order of June 18, 1971, as amended, before a child's admission as a beginner in the lowest grade of a regular primary school, or the lowest regular primary class above kindergarten, may be postponed; (b) require the automatic re-evaluation every two years of any educational assignment other than to a regular class, and (c) provide for an annual re-evaluation at the request of the child's parent or guardian, and (d) provide upon each such re-evaluation that the school district or intermediate unit shall give notice and an opportunity for a hearing

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as set out in this Court's Order of June 18, 1971, as amended, on the findings of the re-evaluation and the appropriateness of the educational assignment based thereon. As used herein and throughout this Agreement the term "re-evaluation" contemplates that degree of analysis and investigation necessary to make a sound judgment as to the appropriateness of the educational assignment of the child thought to be mentally retarded, which in some instances, may involve reviewing existing cumulative data and documentation or, in other instances may involve comprehensive psycho-educational testing.

13. The aforementioned Opinion and Regulations shall also require the timely placement of any child whose admission to regular primary school or to the lowest regular primary class above kindergarten is postponed, or who is not retained in such school or class, in a free public program of education and training pursuant to Sections 1371 through 1382 of the School Code of 1949, as amended 24 Purd. Stat. Sec. 13-1371 through Sec. 13-1382.

Section 1326

14. Section 1326 of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 13-1326, provides:

> 'Definitions
>
> The term 'compulsory school age,' as hereinafter used shall mean the period of a child's life from the time the child's parents elect to have the child enter school, which shall be not later than at the age of eight (8) years, until the age of seventeen (17) years. The term shall not include any child who holds a certificate of graduation from accredited senior high school."

15. The Secretary of Education, the State Board of Education, the named School Districts and Intermediate Units, each of them, for themselves, their officers, employees, agents and successors agree that they shall cease and desist from applying Section 1326 so

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as to postpone, to terminate, or in any way to deny access to a free public program of education and training to any mentally retarded child.

16. The Attorney General agrees to issue an Opinion declaring that Section 1326 means only that parents of a child have a compulsory duty while the child is between eight and seventeen years of age to assure his attendance in a program of education and training; and Section 1326 does not limit the ages between which a child must be granted access to a free, public program of education and training. Defendants are bound by Section 1301 of the School Code of 1949, 24 Purd. Stat. Sec. 13-1301, to provide free public education to all children six to twenty-one years of age. In the event that a parent elects to exercise the right of a child six through eight years and/or seventeen through twenty-one years of age to a free public education, defendants may not deny such child access to a program of education and training. Furthermore, if a parent does not discharge the duty of compulsory attendance with regard to any mentally retarded child between eight and seventeen years of age, defendants must and shall take those steps necessary to compel the child's attendance pursuant to Section 1327 of the School Code of 1949, 24 Purd. Stat. Sec. 13-1327, and related provisions of the School Code, and to the relevant regulations with regard to compulsory attendance promulgated by the Board.

17. The Attorney General shall issue an Opinion thus construing Section 1326, and related Sections, and the Board shall promulgate Regulations to implement said construction, copies of which Opinion and Regulations shall be filed with the Court and delivered to plaintiffs' counsel on or before February 28, 1972, and they shall be issued and promulgated respectively on or before March 8, 1972.

Section 1330 (2)

18. Section 1330 (2) of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 13-1330 (2) provides:

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"Exceptions to compulsory attendance.

The provisions of this action requiring regular attendance shall not apply to any child who:

* * *

(2) Has been examined by an approved mental clinic or by a person certified as a public school psychologist or psychological examiner, and has been found to be unable to profit from further public school attendance, and who has been reported to the board of school directors and excused, in accordance with regulations prescribed by the State Board of Education."

19. The Secretary of Education, the State Board of Education, the named School Districts and Intermediate Units, each of them, for themselves, their officers, employees, agents, and successors agree that they shall cease and desist from applying Section 1330 (2) so as to terminate or in any way to deny access to a free public program of education and training to any mentally retarded child.

20. The Attorney General agrees to issue an Opinion declaring that Section 1330(2) means only that a parent may be excused from liability under the compulsory attendance provisions of the School Code when, with the approval of the local school board and the Secretary of Education and a finding by an approved clinic or public school psychologist or psychological examiner, the parent elects to withdraw the child from attendance. Section 1330(2) may not be invoked by defendants, contrary to the parents' wishes, to terminate or in any way to deny access to a free public program of education and training to any mentally retarded child.

21. The Attorney General shall issue an Opinion so construing Section 1330(2) and related provisions and the Board shall promulgate Regulations to implement said construction and to supersede Section 5-400 of the Pupil Attendance Regulations, a copy of

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which Opinion and Regulations shall be filed with the Court and delivered to counsel for plaintiff on or before February 23, 1972, and they shall be issued and promulgated respectively on or before March 8, 1972.

Pre-School Education

22. Defendants, the Commonwealth of Pennsylvania, the Secretary of Education, the State Board of Education, the named School Districts and Intermediate Units, and the Secretary of Public Welfare, each of them, for themselves, their officers, employees, agents, and successors agree that they shall cease and desist from applying Section 1371(1) of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 13-1371(1) so as to deny access to a free public program of education and training to any mentally retarded child, and they further agree that wherever the Department of Education through its instrumentalities, the School Districts and Intermediate Units, or the Department of Public Welfare through any of its instrumentalities provides a pre-school program of regular education and training to children below the age of six, they shall also provide a program of education and training appropriate to their learning capacities to all retarded children of the same age.

23. Section 1371(1) of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 13-1371(1), provides:

> 'Definition of exceptional children; reports; examination
>
> (1) The term 'exceptional children' shall mean children of school age who deviate from the average in physical, mental, emotional or social characteristics to such an extent that they require special educational facilities or services and shall include all children in detention homes."

24. The Attorney General agrees to issue an Opinion declaring that the phrase "children of school age" as used in Section

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1371 means children aged six to twenty-one and also, whenever the Department of Education through any of its instrumentalities, the local School District, Intermediate Unit, or the Department of Public Welfare, through any of its instrumentalities, provides a pre-school program of regular education and training for children below the age of six, whether kindergarten or however so called, means all mentally retarded children who have reached the age less than six at which such pre-school programs are available to others.

25. The Attorney General shall issue an Opinion thus construing Section 1371 and the Board shall issue regulations to implement said construction, copies of which Opinion and Regulations shall be filed with the Court and delivered to counsel for plaintiffs on or before February 28, 1972, and they shall be issued and promulgated respectively on or before March 8, 1972.

Tuition and Tuition and Maintenance

26. The Secretary of Education, the State Board of Education, the named School Districts and Intermediate Units, each of them, for themselves, their officers, employees, agents and successors agree that they shall cease and desist from applying Section 1376 of the School Code of 1949, as amended, 24 Purd. Stats. Sec. 13-1376, so as to deny tuition or tuition and maintenance to any mentally retarded person.

27. The Attorney General agrees to issue an Opinion, and the Council of Basic Education of the State Board of Education agrees to promulgate Regulations, construing the term "brain damage" as used in Section 1376 and as defined in the Board's "Criteria for Approval . . . of Reimbursement" so as to include thereunder all mentally retarded persons, thereby making available

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to them tuition for day school and tuition and maintenance for residential school up to the maximum sum available for day school or residential school, whichever provides the more appropriate program of education and training. Copies of the aforesaid Opinion and Regulations shall be filed with the Court and delivered to counsel for plaintiff on or before February 28, 1972, and they shall be issued and promulgated respectively on or before March 8, 1972.

28. Defendants may deny or withdraw payments of tuition or tuition and maintenance whenever the school district or intermediate unit in which a mentally retarded child resides provides a program of special education and training appropriate to the child's learning capacities into which the child may be placed.

29. The decision of defendants to deny or withdraw payments of tuition or tuition and maintenance shall be deemed a change in educational assignment as to which notice shall be given and an opportunity for a hearing afforded as set out in this Court's Order of June 18, 1971, as amended. The issue at such hearing shall be whether the School District or Intermediate Unit provides an appropriate program of education and training for the particular child.

Whenever an additional facility or newly created program within a School District or Intermediate Unit is submitted for approval by the Secretary of Education, then in timely fashion, a School District or Intermediate Unit, upon written notice to the parent or guardian, may in writing request approval of the Director of the Bureau of Special Education, acting as the Secretary's designee, for the transfer of particular children from private schools to the additional facility or newly created program. Any district or unit so requesting shall submit documentation of the appropriate-

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ness of the new facility or program for the particular children proposed for transfer. The parents or guardian shall be afforded a timely opportunity to comment and to submit any documentation with regard to the approval by the Department of Education of an additional facility or newly created program and with regard to its appropriateness for the particular child. If after appropriate investigation the Director of the Bureau certifies the new facility or newly created program as appropriate for those children and approves their transfers, such certification and approval shall be in lieu of individual hearings as provided above in this paragraph.

Homebound Instruction

30. Section 1372(3) of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 13-1372(3), provides in relevant part:

> 'Standards: plans: special classes or schools
>
> * * *
>
> (3) Special Classes or Schools Established and Maintained by School Districts.
>
> . . . If . . . it is not feasible to form a special class in any district or to provide such education for any [exceptional] child in the public schools of the district, the board of school directors of the district shall secure such proper education and training outside the public schools of the district or in special institutions, or by providing for teaching the child in his home . . . ."

31. The Secretary of Education, the State Board of Education, the named School Districts and Intermediate Units, each of them, for themselves, their officials, employees, agents and successors agree that they shall cease and desist from denying homebound instruction under Section 1372(3) to mentally retarded children merely because no physical disability

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accompanies the retardation or because retardation is not a short-term disability.

32. The Attorney General agrees to issue an Opinion declaring that a mentally retarded child, whether or not physically disabled, may receive homebound instruction and the State Board of Education and/or the Secretary of Education agrees to promulgate revised Regulations and forms in accord therewith, superseding the "Homebound Instruction Manual" (1970) insofar as it concerns mentally retarded children.

33. The aforesaid Opinion and Regulations shall also provide:

(a) that homebound instruction is the least preferable of the programs of education and training administered by the Department of Education and a mentally retarded child shall not be assigned to it unless it is the program most appropriate to the child's capacities;

(b) that homebound instruction shall involve education and training for at least five hours a week or for such other reasonable period as the State Board of Education may by regulation provide.

(c) that an assignment to homebound instruction shall be re-evaluated not less than every three months, and notice of the evaluation and an opportunity for a hearing thereon shall be accorded to the parent or guardian, as set out in the Order of this Court dated June 18, 1971, as amended.

34. Copies of the aforementioned Opinion and Regulations shall be filed with the Court and delivered to counsel for plaintiffs on or before February 28, 1972, and they shall be issued and promulgated respectively on or before March 8, 1972.

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Section 1375

35. Section 1375 of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 13-1375, provides:

> "Uneducable children provided for by Department of Public Welfare
>
> "The State Board of Education shall establish standards for temporary or permanent exclusion from the public school of children who are found to be uneducable and untrainingable in the public schools. Any child who is reported by a person who is certified as a public school psychologist as being uneducable and untrainable in the public schools, may be reported by the board of school directors to the Superintendent of Public Instruction and when approved by him, in accordance with the standards of the State Board of Education, shall be certified to the Department of Public Welfare as a child who is uneducable and untrainable in the public schools. When a child is thus certified, the public schools shall be relieved of the obligation of providing education or training for such child. The Department of Public Welfare shall thereupon arrange for the care, training and supervision of such child in a manner not inconsistent with the laws governing mentally defective individuals."

36. Defendants the Commonwealth of Pennsylvania, the Secretary of Education, the State Board of Education, the named School Districts and Intermediate Units, and the Secretary of Public Welfare, each of them, for themselves, their officers, employees, agents and successors agree that they shall cease and desist from applying Section 1375 so as to deny access to a free public program of education and training to any mentally retarded child.

37. The Attorney General agrees to issue an Opinion declaring that since all children are capable of benefiting from a program of education and training, Section 1375 means that insofar as the Department of Public Welfare is charged to "arrange for the care, training and supervision" of a child certified to it, the Department of Public Welfare must provide a program of education and training appropriate to the capacities of that child.

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38. The Attorney General agrees to issue an Opinion declaring that Section 1375 means that when it is found, on the recommendation of a public school psychologist and upon the approval of the local board of school directors and the Secretary of Education, as reviewed in the due process hearing as set out in the Order of this Court dated June 18, 1971, that a mentally retarded child would benefit more from placement in a program of education and training administered by the Department of Public Welfare than he would from any program of education and training administered by the Department of Education, he shall be certified to the Department of Public Welfare for placement in a program of education and training.

39. To assure that any program of education and training administered by the Department of Public Welfare shall provide education and training appropriate to a child's capacities the plan referred to in Paragraph 50 below shall specify, inter alia,

(a) the standards for hours of instruction, pupil-teacher ratios, curriculum, facilities, and teacher qualifications that shall be met in programs administered by the Department of Public Welfare;

(b) the standards which will qualify any mentally retarded person who completes a program administered by the Department of Public Welfare for a High School Certificate or a Certificate of Attendance as contemplated in Sections 5-132 and 5-133 of the Special Education Regulations;

(c) the reports which will be required in the continuing discharge by the Department of Education of its duty under Section 1302(1) of the Administrative Code of 1929, as amended, 71 Purd. Stat. Sec. 352(1), to inspect and to require reports of programs of education

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and training administered by the Department of Public Welfare, which reports shall include, for each child in such programs an annual statement of educational strategy (as defined in Section 8-123 of the Special Education Regulations) for the coming year and at the close of the year an evaluation of that strategy;

(d) that the Department of Education shall exercise the power under Section 1926 of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 19-1926 to supervise the programs of education and training in all institutions wholly or partly supported by the Department of Public Welfare, and the procedures to be adopted therefor.

40. The Attorney General agrees to issue an Opinion so construing Section 1375 and the Board to promulgate Regulations implementing said construction, which Opinion and Regulations shall also provide:

(a) that the Secretary of Education shall be responsible for assuring that every mentally retarded child is placed in a program of education and training appropriate to his learning capacities, and to that end, by Rules of Procedure requiring that reports of the annual census and evaluation, under Section 1371(2) of the School Code of 1949, as amended, 24 Purd. Stat. 13-1371(2), be made to him, he shall be informed as to the identity, condition, and educational status of every mentally retarded child within the various school districts.

(b) that should it appear that the provisions of the School Code relating to the proper education and training of mentally retarded children have not been complied with or the needs of the mentally retarded child are not being adequately served in any program administered by the Department of Public Welfare, the Department of

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Education shall provide such education and training pursuant to Section 1926 of the School Code of 1949, as amended, 24 Purd. Stat. Sec. 19-1926.

(c) that the same right to notice and an opportunity for a hearing as is set out in the Order of this Court of June 18, 1971, shall be accorded on any change in educational assignment among the programs of education and training administered by the Department of Public Welfare.

(d) that not less than every two years the assignment of any mentally retarded child to a program of education and training administered by the Department of Public Welfare shall be re-evaluated by the Department of Education and upon such re-evaluation, notice and an opportunity to be heard shall be accorded as set out in the Order of this Court, dated June 18, 1971, as amended.

41. Copies of the aforesaid Opinion and Regulations shall be filed with the Court and delivered to counsel for plaintiffs on or before February 28, 1972, and they shall be issued and promulgated respectively on or before March 3, 1972.

IV.

42. Each of the named plaintiffs shall be immediately re-evaluated by defendants and, as soon as possible, but in no event later than October 13, 1971, shall be accorded access to a free public program of education and training appropriate to his learning capacities.

43. Every retarded person between the ages of six and twenty-one years as of the date of this Order and thereafter shall be provided access to a free public program of education and training

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appropriate to his capacities as soon as possible but in no event later than September 1, 1972.

44. Wherever defendants provide a pre-school program of regular education and training for children less than six years of age, whether kindergarten or however called, every mentally retarded child of the same age as of the date of this Order and hereafter shall be provided access to a free public program of education and training appropriate to his capacities as soon as possible but in no event later than September 1, 1972.

45. The parties explicitly reserve their right to hearing and argument on the question of the obligation of defendants to accord compensatory educational opportunity to members of the plaintiff class of whatever age who were denied access to a free public program of education and training without notice and without a due process hearing while they were aged six years to twenty-one years, for a period equal to the period of such wrongful denial.

46. To implement the aforementioned relief and to assure that it is extended to all members of the class entitled to it, Herbert Goldstein, Ph.D. and Dennis E. Haggerty, Esq. are appointed Masters for the purpose of overseeing a process of identification, evaluation, notification, and compliance hereinafter described.

47. Notice of this Order and of the Order of June 18, 1971, in form to be agreed upon by counsel for the parties, shall be given by Commonwealth defendants to the parents and guardian of every mentally retarded person, and of every person thought by defendants to be mentally retarded, of the ages specified in Paragraphs 43, and 44 above, now resident in the Commonwealth of Pennsylvania, who is not being accorded access to a free public program of education

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and training, whether as a result of exclusion, postponement, excusal, or in any other fashion, formal or informal.

48. Within thirty days of the date of this Order, Commonwealth defendants shall formulate and shall submit to the Masters for their approval a satisfactory plan to identify, locate, evaluate and give notice to all the persons described in the foregoing paragraphs, and to identify all persons described in Paragraph 45, which plan shall include, but not be limited to, a search of the records of the local school districts, of the Intermediate Units, of County MH/MR units, of the State Schools and Hospitals, including the waiting lists for admission thereto, and of interim care facilities, and, to the extent necessary, publication in newspapers and the use of radio and television in a manner calculated to reach the persons described in the foregoing paragraph. A copy of the proposed plan shall be delivered to counsel for plaintiffs who shall be accorded a right to be heard thereon.

49. Within ninety days of the date of this Order, Commonwealth defendants shall identify and locate all persons described in paragraph 47 above, give them notice and provide for their evaluation, and shall report to the Masters the names, circumstances, the educational histories and the educational diagnoses of all persons so identified.

50. By April 1, 1972, Commonwealth defendants shall formulate and submit to the Masters for their approval a plan, to be effectuated by September 1, 1972, to commence or recommence a free public program of education and training for all mentally retarded persons described in Paragraph 47 above, and for all mentally retarded persons of such ages hereafter. The plan shall specify the range of programs of education and training, their kind and number, necessary to provide an appropriate

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program of education and training to all mentally retarded children, where they shall be conducted, arrangements for their financing, and, if additional teachers are found to be necessary, the plan shall specify recruitment, hiring, and training arrangements. The plan shall specify such additional standards and procedures, including but not limited to those specified in Paragraph 39 above, as may be consistent with this Order and necessary to its effectuation. A copy of the proposed plan will be delivered to counsel for plaintiffs who shall be accorded a right to be heard thereon.

51. If by September 1, 1972, any local school district is not providing a free public education to all mentally retarded persons within its responsibility as provided hereinbefore in special classes or schools established and maintained by school districts or has not secured such proper education and training outside the public schools of the district or in special institutions, and if an intermediate unit is not providing such education by means of additional classes or schools as are necessary or otherwise providing for the proper education and training of such persons who are not enrolled in classes or schools maintained and operated by school districts or who are not otherwise provided for, the Secretary of Education, pursuant to Section 1372(5) of the Public School Code of 1949, 24 Purd. Stat. 1372(5), shall directly provide, maintain, administer, supervise and operate programs for the education and training of these children.

52. The Masters shall hear any members of the plaintiff class who may be aggrieved in the implementation of this Order.

53. The Masters shall be compensated by Commonwealth defendants.

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54. This Court shall retain jurisdiction of the matter until it has heard the final report of the Masters on or before October 15, 1972.

55. Any child who is mentally retarded and who also has another exceptionality or other exceptionalities, whether blind, deaf, cerebral palsied, brain damaged, muscular dystrophied or social or emotionally disturbed, or otherwise, irrespective of the primary diagnosis, shall be considered mentally retarded for purposes of the Agreements and Orders herein.

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Acknowledged:

Secretary of Education

Mrs. Helene Wohlgemuth
Secretary of Public Welfare

Edward R. Goldman
Commissioner of Mental Retardation

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COST OF INSTITUTIONALIZING CHILD

Senator SPECTER. I was especially interested in your statement on a cost of $55,000 a year to institutionalize a child as opposed to a cost of $4,500 to $5,500 a year to educate a child.

I would like to ask you to begin your testimony by giving us the source of those statistics and the consideration on those matters and then to proceed to summarize your testimony.

Mr. GENTILE. Actually, my statistics were a little inflated. It even costs less. I'll be glad to give you the source.

Institutionalization is higher and the costs are lower. The information that I have is from Mr. Shearsky. The cost per student——

Senator SPECTER. Who is Mr. Shearsky?

Mr. GENTILE. School District Budget Office.

Senator SPECTER. Which school district?

Mr. GENTILE. Philadelphia, I would assume. I had this prepared for me.

For the year 1981–82 the per handicapped student cost was $4,000 per annum as computed by State law guidelines. Regular education costs were $2,100. So it would seem to me that to educate a handicapped child is only $1,900 more than a regular person.

Senator SPECTER. What was the source of your statistic on $55,000?

Mr. GENTILE. Comes from the simple division of the amount of money given to Pennhurst and the number of people that are there that are housed. It is closer to $60,000, but the budgets are currently being cut slightly. The latest information I had about 1 week ago was somewhere in the vicinity of $160 per day.

Senator SPECTER. Proceed, please.

Mr. GENTILE. On the basis of this information, if we start public school at 4.7 years and we keep the developmentally disabled citizen there until he is 21, that is 16.3 years of education. That's $1,900 extra that we are paying during that 16 years, which is a total of about $31,000 for 16 years of education.

If we were to put the individual into an institution at $55,000 a year, and those are pretty standrd figures, it would be close to $1 million for that same period of time, $896,500. Education is 29 times less than institutionalizing.

Now, I'm speaking strictly economics. I'm not even going to make mention to the humanitarian concerns, the isolation, the brutalization of the human being which goes along with it.

PREFERENCE FOR CATEGORICAL GRANT

Senator SPECTER. What is your sense, Mr. Gentile, as to the advisability of going the block-grant route as opposed to the categorical grant route?

Mr. GENTILE. Well, can I read the statement? We believe in the categorical form. It is imperative that special education moneys not be block granted. Based on the history of special needs children in the public education sector, we cannot confidently agree to any reformation of present statutory law that would make the kind of educational ser-

vices provided to special needs children a discretionary matter with local educational agencies. There are simply too many financial and political pressures on local governing bodies which would threaten the integrity of special education programs that are discretionary.

Therefore, we urge this subcommittee to reject any proposals for block granting. Block granting as it has been proposed would put special education funds into a lump with other funding streams and allow local educational agencies to use this lump as they see fit. We believe that special education moneys would be diverted into other uses under such a system.

I wonder, Senator—I have some broad statement that I think would be wiser to speak of first. It would take about 1 minute or so.

Senator SPECTER. Fine.

Mr. GENTILE. Then perhaps you could go into it a little more deeply. I have always been fighting, you know, for the past 10 years—a large part of my time has been in the area of special education and the court fights that have happened and sometimes these are 10- and 15-hour days, 80 percent of the time, you know, and it always seemed to me that I fight my old enemy, time. How do you compress all that kind of knowledge in a 2-minute discourse in front of people that are going to affect the life of our children? I thought the wisest way to do it would be——

Senator SPECTER. Have you been involved in this litigation entitled the *Pennsylvania Association for Retarded Children* v. *the Commonwealth* since its inception in 1971?

Mr. GENTILE. Yes. Our president, Will Jinks, and Mr. Bernstein from our board of directors were two of the three people that started it and it has been my duty since 1971 to implement that program with the public school system. I'm also the person responsible for the compliance suit against the board of education since 1977.

So that I would say in the whole country the kind of information that I have is unique and I would just like to mention some very basic things; that is, in our opinion, education—and I think it has to be stated it's a single dominant factor which determines whether a developmentally disabled individual can make it. About 80 percent of mentally retarded people are capable of substantial independence. Not many people know this. The history of developmentally disabled children in our schools before intervention by the Federal Government is one of exclusion and denial. A turning point occurred in May 1972 when the consent decree was entered in the case of *PARC* v. *the Commonwealth* and this decree prohibited the State from enforcing exclusionary laws as well as requiring the State to begin locating, planning, identifying for the education of the special education children.

We found that court cases were not enough. In 1975 Congress responded to such problems as lack of enforcement authority to apply the law. I would submit that a large portion of Public Law 94–142 was taken from our *PARC* v. *Commonwealth*. They worked with a lot of our information and took a lot of information from that. Our people were very active in helping to develop that.

Senator SPECTER. Mr. Gentile, won't the Commonwealth be under a continuing obligation to comply with the consent decree of the *PARC* case, notwithstanding whatever Federal funding may be available? Perhaps that's a question you ought to be asking me instead of me asking you.

Mr. GENTILE. I would say it is a legal question and a political question. I deal with the real pragmatic—the application and the practicalities—I'm a street fighter and I deal with what actually happens and not with what should happen or what is proposed to happen, and let me tell you that we fought for this consent decree.

Senator SPECTER. Under the consent decree the Commonwealth has certain obligations to maintain funding for retarded children.

Mr. GENTILE. Yes, they do. But they haven't done it, they haven't. In 1972–73 the biggest argument was there was no money; therefore, we are not going to comply. There is no money so we are not going to do it is what was said and our answer from our lawyers is that money is no excuse. It's the law. They just simply delayed and played around with it.

I worked from 1972 to 1977 witnout getting anything from either Public Law 94–142 or from the consent decree.

Senator SPECTER. When was the consent decree entered?

Mr. GENTILE. The consent decree was entered in the early 1970's. They started working in 1968–69 and I think 1972 or 1971 was the timeframe and from that time until I sued the board of education starting in 1977 very little was done, sir, very little.

Senator SPECTER. What is the situation at the present time?

Mr. GENTILE. Fantastic. The fact that the Federal law was there to begin with, the fact that the Federal courts helped to support it—let me tell you that now in the city of Philadelphia our special education handicapped, all handicapped—we are dealing with something like 14,000 men and women. Prior to 1972 I don't think they could count 1,800, 90 percent of which were out on suspension. Now we have 14,000. Not only do we have them in, but there are attempts being made with ESEA—these are child study evaluation teams, not only psychologists but several disciplines studying each child and trying to create programs for that, and we are doing that.

We brought in vocational evaluators, we are making parents, we are making principals and teachers sensitized to what has to be done.

Senator SPECTER. Mr. Gentile, in what context where the State will receive funds on a block-grant concept and you have a consent decree won't you have a mechanism in place to assure that retarded children will have adequate funding?

Mr. GENTILE. Could I give you two examples and draw your own conclusions from those because that's what I go by?

Last summer I was transcribing from WWDB some Frank Sinatra records and I inadvertently transcribed a news release which I still have and that is—let me make sure I get this straight because it is important. There was a bill being prepared in Harrisburg and they said the Governor would veto it and I didn't hear anything else of it but the bill was

being prepared to take $4 million away from public school education in Philadelphia and was going to be used for horse racing and handicapping. That's one. The only thing just recently was, I think, it was——

Senator SPECTER. Mr. Gentile, I don't think that is very helpful.

Mr. GENTILE. Isn't it? See, Senator, the law says yes, they should do it and yes, we will fight to the full extent of the law. There's no question about that. But it's been very slow in coming and only when we have used the most extreme degrees—now even in Federal court——

Senator SPECTER. Excuse me. Dr. Marcase, will you join us in this panel? We appreciate your staying. Perhaps your experience and your insight could lend some assistance on this, and I'm especially concerned about the retarded issue and I do know the history of the *PARC* litigation. I do know that Judge Becker has molded the decree in a very unique and creative way and when we talk about at least for Pennsylvania on the retarded issue it may well be that the customary infirmities of the block grant will not apply to the retarded because we have this court decree.

What is your sense of that, Dr. Marcase?

Dr. MARCASE. I'm happy that you gave me the opportunity to comment on that.

I would like to clarify an earlier statement that I made when I endorsed the block-grant concept to some conditional extent. It did not include Public Law 94–142 or education of the handicapped. I feel that that should remain as categorical as I believe some other programs should remain categorical. The problem with Public Law 94–142—and I do believe in the moral and legal obligation that we have to provide the maximum, optimum quality education for handicapped children, but the problem simply has been that it has never been funded to the degree that I believe the legislation had intended. It's going to be reduced in the coming year.

I think we received $5.4 million last year. We will receive $3.8 million in 1981–82 and, as I understand it, the original intent was to increase the percentage up to 40 percent of the cost and that is not materializing. In fact, it's going downhill.

We recognize our obligation. We think we are providing a quality program but there is no question about the fact that we are experiencing tremendous problems in doing that simply because of arbitrary decisions that are being made by the Commonwealth and also a lack of funding.

Senator SPECTER. Do you know whether Pennsylvania uses funds available under the Federal Handicapped Education Law to conduct programs for handicapped juveniles in correctional institutions?

Dr. MARCASE. I believe they do, but I'm not familiar with that sufficient to testify.

Senator SPECTER. Thank you very much.

THE CENTER FOR PHILADELPHIA AREA DEVELOPMENT

STATEMENT OF WILLIAM L. RAFSKY

PREPARED STATEMENT

Mr. Rafsky, it is a pleasure to have you on this panel.

Mr. RAFSKY. Thank you.

Senator SPECTER. A friend and neighbor of longstanding. I welcome you here.

I had not had an opportunity to see your prepared statement until this morning. In accordance with the standard committee procedures, it will be made a part of our record and we would appreciate it if you would summarize your statement.

Mr. RAFSKY. Thank you.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM L. RAFSKY

COUNCIL FOR AREA PROGRESS

1. Cities have a greater problem with employment mismatch; that is, they have a larger percentage of unskilled and semi-skilled workers; thus, a larger percentage of the unemployed. Yet, newspaper want ad pages are filled with requests for skilled workers, technicians, and office-related positions.

2. The Northeastern part of the country is especially hard-hit with the mismatch mentioned in number 1, primarily due to our disproportionate share of hard-to-serve unemployed persons, the flight from inner cities by industry and by families, the decline in the "baby boom" population, and earlier retirements without replacements because of financial constraints.

3. I strongly recommend the need to intensify training efforts by:

   a. expanding the training day to serve around the clock

   b. utilizing day-time and flexible program scheduling - mixing ages for training and retraining and actually recruiting for these purposes

   c. This recommendation, of course, will require additional funding to keep the schools open and staffed.

4. Since blue collar workers, according to all labor market reports, are still needed, but are required to have higher technical skills (science and math) it is strongly urged that every student be enrolled in the highest level math and science classes he or she is capable of pursuing. Thus, when a student makes a decision about a training program, they will have the necessary tools for pursuing the program and a career in that particular vocational discipline.

5. The secondary vocational education programs should be articulated with one and two year college, technical and proprietary training programs. This education and training could be financially supported while the student works in his or her specialty within the industry and/or is enrolled in an apprenticeship training program (earning while learning). This arrangement will more assure competently trained technician and journeypersons as a result of cooperative efforts between government, education, industry and labor.

6. We need to build in and retain standards. All of this is necessary if we are to improve human efficiency.Without quality human services, improved facilities and updated information about technology, vocational education will cease to serve the nation's interest.

7. We need to develop and improve our programs in vocational education as well as maintaining what is in existence.

8. I strongly believe that we raise the productive capacity of people by providing them with the tools to work with - high level basic computation and communications skills, attitudinal and human relations development, and other work related skills. There will always be the "hard-to-train" individuals, but we must ascertain why. We need to ask what the causes are and target more efforts towards the cause rather than the result. Some money must be used in this targeted area to give meaningful education and training that will be more lasting and have a greater impact on the person's continuing productivity (being able to remain employed).

9. Earlier identification of student weaknesses, earlier rectifying of problems, - these are the ingredients needed to prevent the higher

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unemployment statistics. If we improve the existing general education system as well as the vocational education system instead of developing mini, alternative or "demonstration" projects that are not transportable in design to the masses, that usually end when funding ends, and are very high in cost when looking at the small number of students served.

10. Or, reduce the staff/student ratio for all students (15-20 to 1) instead of 30-35 to 1 by using dollars to subsidize increase staff needs.

11. Increasing the number of quality products from our schools encouraging and influx of industry. Thus, jobs and economic stability are brought about. This is a statement that is frequently mentioned and with which I thoroughly agree.

12. Vocational Education needs money to counter the high inflationary costs of vocational equipment and supplies. The tremendous problems of staff layoffs each year, uncertainty, and other ills that befall a city school system causes many trade and industry who come from industry into education to leave and go back into industry. Thus, even a shortage of workers in some of the vocational education fields becomes a greater problem in the instructional staff area.

13. Philadelphia has not had a viable post secondary 13th or 14th year or Adult Vocational Training Program except isolated high demand courses in four standard evening high schools and special programs such as the John Wanamaker Institute, AFSCE, private industrial training, and apprenticeship training programs, as well as the CETA supported programs (yet the demand for training programs for the older student is on the increase).

14. With there having been a 50% growth in vocational education enrollment nationally since 1972, and since there are over 28,000 students enrolled in secondary vocational education in Philadelphia, it is extremely important that Philadelphia receive increased vocational education money to:

    a) Update its instructors through and industry exchange program

    b) Update its facilities

    c) Make optimum use of existing facilities for employers who need training and retraining programs operated and for operating these programs when the building is not in use by secondary age students.

    d) Introduce staff to computerized and other advancing technologies and utilize computers for better managing of vocational education.

Federal Funding of Vocational Education

Issue 1: What adjustments in Vocational Education are required as the result of changes included in the Federal Budget as modified by the recently approved Fiscal 1982 Budget?

1. There are fewer dollars for Fiscal 1982 for Vocational Education. Vocational Education Funding was cut 12.5% for Fiscal 1981. Since the funding is forward funding, this means that appropriations were reduced by more than $98,000,000.00 for the 1981-82 school year. Further, the recisions cancelled funds that were previously appropriated but not spent. Even though the dollars are fewer for Fiscal 1982, they are still being administered under continuing, restrictive legislative guidelines. Thus, fewer students can be served and even some programs which have been evalua-

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ted to be quite effective cannot be continued. Hardest hit by the cuts are: Consumer and Homemaking Education, with a 30% cut; Program Improvement and Supportive Services, with a 25% cut; and Special Programs for the Disadvantaged, which were cut by 25%.

2. Even though less money is being made available for Vocational Education, and even though financial problems are plaguing most large school districts, the matching fund requirements on the part of the local educational agencies was still retained in the guidelines. Unless an LEA can match federal funds with local funds, federal monies frequently are unused and are returned to the state by some Local Education Agency. Further, limiting the funding of target populations (Disadvantaged, Handicapped and Bi-Lingual) to that of the excess cost for administering programs to these populations, places a major burden on LEA's.

3. In summary, fewer dollars from the Vocational Education Legislation, fewer dollars at the Local Education Agency level, and an increasing number of educationally and economically disadvantaged students - a disproportionate number for large urban areas - makes the Fiscal 1982 year operations outlook very bleak.

Issue 2: What is the Capability of State and Local Government Entities to assume a greater share of costs and administration of federal programs of concern to you?

1. State and Local Entities already support Vocational Education $10 for every $1 spent by the Federal Government. While the $10 figure may be decreasing because of inflation, it still appears that the local and state support for Vocational Education will be more than that of the Federal Government, since the Federal Government did cut the Fiscal 1982 appropriations.

2. Local governments, especially urban cities in the Northeastern Part of the country are already plagued with deficit budgets - several LEA's are on the verge of bankruptcy and/or receivership.

3. State and local governments are in the best position to know their priority needs, thus they are not only in a better position than the Federal Government to administer the federal programs for Vocational Education, but should be given this responsibility, requiring only compliance assurances and accountability. Federal programs with restricting guidelines should not be administered from the federal level - a level that is too far removed from the level of program implimentation.

Issue 3: What changes in funding priorities would you recommend be considered by our Subcommittee to improve the targeting and efficiency of federal programs?

1. Fund long-term, open-ended Vocational Education and Training Programs commensurate with Industry, Defense, and Advancing Technological Employment Needs. Training programs of predetermined, arbitrary lengths (usually short term) even for the structurally unemployed, and unemployed youth, are of little value when sufficient time is not provided to move people to a level of competency that more assures their not only being placed on the job, but also more assures their remaining employed and productive.

2. Retain assurance provisions so that targeted populations will continue to be identifed and to be served. Remove, however, categorically-determined percentages of funds to

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be spent on these populations. State and LEA's should be required to give demographic and statistical data for their constituents upon initial application for funds.

Thereafter, only changes in this data should be reported, and the extent to which vocational funds were utilized in effecting the change should be documented. For example, information should be reported on state and local labor market needs, percentage of minorities, females, etc., the number employed by position (machinist, electrician, electronics technician, etc.) at the end of their training.

3. Funding should be made to local school districts and/or tax break incentives should be given to employers who utilize and support the use of existing public school facilities for their training needs.

4. Other providers of publicly-funded training, such as the Department of Labor (CETA) should be encouraged to make use of Public School and Community College facilities rather than money on renovating buildings and acquiring new equipment while existing facilities go unused. All agencies must be encouraged to be more cost efficient in the use of federal funds.

5. Build in better coordination requirements between education, training and employment efforts or provide more opportunity to coordinate by adjusting the fiscal funding years under the various pieces of legislation so that they are more congruent. Frequently, coordination among various funding sources and agencies is deterred by each funding source having a different beginning and/or ending fiscal year or different kinds of reporting mechanisms. Much needs to be done in this area.

FUNDING FOR VOCATIONAL EDUCATION

Mr. RAFSKY. I apologize for the lateness in getting the testimony to you. We had some vacation staff problems and I was delayed in doing that.

Senator SPECTER. I wasn't suggesting any problem in terms of its time of arrival; simply that I had not had an opportunity to review it.

Mr. RAFSKY. The point that I think we want to make on behalf of our organization, the Center for Philadelphia Area Development, is that the funding for vocational education from the Federal Government is absolutely essential in terms of the viable economy of the business and industries in the city of Philadelphia.

We think that it is very consonant with the Federal administration's program for economic recovery because it does aim directly at trying to strengthen the employment potential for youngsters who have had difficulty without this kind of help.

I say this and my testimony tends to support this on the basis of a number of programs that currently we are conducting with the Philadelphia public school system. In those programs we are working very closely with the vocational educational people in the school system in terms of testing as to the ability of the youngsters in finding employment both in terms of part-time and summer employment as well as in terms of permanent employment.

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In that process we have developed a good, strong relationship with the school system in which we are able to identify early on what are the needs of employers and translate that back into the school system itself. That's the kind of relationship which is innovative in many ways in which we are uncovering the needs of employers and translating that back into the school system and, in turn, having the school system alert us to the various things that they are prepared to do for employers and is one realistic way in which we can make employable many of the youngsters who in the past have not been ready for the world of work.

We think that any cutback in the vocational funds will adversely affect our ability to work that way because we are not dealing in the standard vocational educational techniques. We are dealing in a very specialized way.

As we uncover situations where there's remedial needs, we identify them and we hope that the school district can comply, as they have been up until now.

Our programs have been basically on a pilot basis because our fundings have come from State governments and from foundations with the understanding that the experiments will lead to further expansion of the programs but without the vocational educational funding at the school district level this will not be possible.

I can say based on the experience we have now had for the past 1½ years that employers do welcome this kind of relationship. It means that they have a headstart in bringing to their jobs youngsters who are not only trained but motivated to be good employees and we, in turn, from the business point of view are able to point out to the school district how they might be able to make changes and improve their operations so that those youngsters will be more ready to take on a job. it is for that reason that we feel very strongly and are here this morning to urge that the level of vocational education funds be maintained. I say in my testimony that we do tend to favor a certain amount of flexibility and that some of the categorical funds do not permit that.

BLOCK-GRANT PROGRAM

Since you have asked some questions about block grant, let me at this point indicate what my position is. Philosophically, I'm a strong advocate of block grants. I believe it's invaluable because it provides flexibility and discretion where it is necessary. However, in terms of the present arrangement where block grants are given to the States and not directly to the localities at least in the field of education, I would like to see, if the block-grant program is continued, certain conditions placed on it, conditions that reflect, for example, the special needs of urban areas like Philadelphia where we have a heavier concentration of disadvantaged population which do not have the advantages of, say, some of the other communities around the country, understanding that the block grants will be used in many ways to tie in with industry opportunities and not be isolated.

With those kinds of conditions where the skewing of the funds would be where the need is greatest and where there is a realistic approach to

providing vocational education to youngsters, I think that the block grant is a desirable way to do it and would, therefore, urge it if it could be done in the way I have outlined.

Thank you.

Senator SPECTER. Mr. Rafsky, what do you think would be the consequence if funds for vocational education are put in a block and left with the State government in Harrisburg? Do you think that the needs of vocational education would be able to compete satisfactorily with all the other demands on those block funds to have an appropriate amount allocated to vocational training?

Mr. RAFSKY. My own feeling is that the odds are that it probably will because there currently is a strong feeling on the part of most educators that vocational or career education is important. My concern, really, is in a different category, namely, that the State would, in effect, from a political point of view, try to distribute the funds perhaps on a population basis or jurisdiction basis without regard to need. The pattern currently followed in the Commonwealth of Pennsylvania has been always on the basis of distributing it as evenly as possible without fully taking into account certain factors. I know the formulas are designed to reflect them to some extent but they don't go far enough in terms of the kind of population, the poverty, the burden of taxation in a city like Philadelphia and we find ourself continually arguing with the State legislature as to whether a city like Philadelphia is getting its fair share and it's that kind of concern that bothers me about block grants to States that I would like to see some Federal guidelines so that it doesn't get—funds do not get distributed without taking into account these special needs.

Senator SPECTER. Mr. Rafsky, we would be very appreciative if you would provide us with the kind of language—to the extent you could provide us with the specific language, it would be very helpful to us in structuring the legislation.

Mr. RAFSKY. I'd be pleased to do that.

Senator SPECTER. That is a problem we face constantly and our experience is necessarily much more limited than yours and we start to wrestle with the kind of language which would be meaningful and effective. Your help would be very much appreciated.

I note that on the issue of vocational education, in fiscal year 1981 the budget provided for $674.5 million and President Carter's budget for 1982 called for $779.2 million. The Reagan budget would have reduced it, President Reagan's budget would have reduced it to $661.2 million and the bill which was enacted by the Congress, the reconciliation bill, put it at $735 million. So that is an increase over the preceding year.

Mr. RAFSKY. I should have said and did want to make this point that I would be asking this subcommittee not to go below the authorization of $735 million.

Senator SPECTER. Is it your sense that that is adequate?

Mr. RAFSKY. Well, it's not really adequate but I think in terms of the needs of our economy it is something that we all have to learn to work with.

Senator SPECTER. Do you have a sense that Mr. Stockman may be looking at that $735 million as an area for cutting?

Mr. RAFSKY. I read the reports as you do and I'm afraid that might be one of the targets.

Senator SPECTER. Well, Mr. Stockman has a pretty broad gage shotgun as he tackles these targets. On the aid to the handicapped, the total figures for fiscal year 1981 were $1,025 million and President Carter asked in fiscal year 1982 for $1,135 million. President Reagan wanted to put it in a block grant which the Congress decided not to do and we ended up with $1,149,950,000 which is in excess of what President Carter had proposed. Where we stood with the handicapped as well as on vocational education led to good figures by comparison to the past. We have had some really ferocious battles on these issues in the committees and this is the sort of continuing concern which is very important to keep the ammunition present to maintain this kind of support.

COUNCIL FOR AREA PROGRESS

Mr. Rafsky, one final question. You are with the Council for Area Progress. Would you describe what your council consists of, who your council consists of?

Mr. RAFSKY. Our council is an affiliate of the Philadelphia Greater Chamber of Commerce. It has a board of directors of 15 business people, all various backgrounds. Its role within the chamber is to concern itself with issues of corporate social responsibility and human resources.

Senator SPECTER. Mr. Rafsky, do you sense that the business community is going to start to pick up some of the slack? Having gotten significantly the tax cuts which the business community wanted and having seen significant budget cuts, there are those of us in the Congress who are looking to the private sector to start to pick up some of the slack, some of the CETA employees who are let go and some other reductions, when some other reductions take effect, there is a hope and an expectation that the business community will move now on these matters.

Mr. RAFSKY. I have already seen on the part of a great many business firms a willingness to increase their participation in certain areas. However, I think it's a mistake to feel that all of that reflected in the Federal cutbacks are going to be picked up by private enterprise. It just won't reach that point, as far as I can see. When you bring it down to a city like Philadelphia, you get a very mixed picture because those which are large firms and which are either headquartered here or have strong national affiliations, they are the ones which are prepared to make increases and already have identified them. The other smaller firms, many of them are not yet participating in any recovery and I think they are going to face problems until the tax cuts at least to get into effect and I have seen no real response to increased appeals at this time.

Senator SPECTER. Well, when you next meet with your group would you convey to them my message that it would be enormously helpful to the system if the private sector would start to respond to the benefits

which this program brings because it is not possible to predict with any certainty what the success is going to be? The economics field is too complicated to have any assurances. If the program is to work, it is going to have to have the cooperation of the private sector and if there is an enormous lag time between the recovery and the time the budget cuts take effect, the political climate may be such in 1982–84 that the program will not be carried forward. It's going to be a very severe testing period, in my judgment, in the course of the next 12 months.

Mr. RAFSKY. I'd be pleased to communicate that to our September board meeting. I think it's important to emphasize, however, that many of these business firms are already participating and have a long record of doing so. Certainly, in terms of our relations with the Philadelphia School District and particularly in career education, we have had many volunteer business people working in a wide variety of ways and trying to help out and will probably continue to do that.

Senator SPECTER. Mr. Rafsky, I know he group you are associated with already has that particular message. It would be more appropriate if I asked you to carry that message to them as not members of your group.

Thank you very much, gentlemen. That's very helpful. We will now move to panel three.

PENNSYLVANIA ASSOCIATION OF COLLEGES AND UNIVERSITIES

STATEMENT OF JAMES A. REAM, PRESIDENT, PENNSYLVANIA ASSOCIATION OF UNIVERSITIES AND COLLEGES

PREPARED STATEMENT

Gentlemen, let me thank you for being here today. Thank you for submitting your statements in advance. They will be made a part of the record fully.

[The statement follows:]

Prepared Statement of James A. Ream

President

Pennsylvania Association of Colleges and Universities

My name is James A. Ream. I am President of the Pennsylvania Association of Colleges and Universities with offices located in Harrisburg, Pennsylvania. On behalf of the Association, I am privileged to participate in these hearings and to present the viewpoints of my colleagues. We are grateful to Senator Harrison Schmitt, Chairman of the Committee, and to Senator Arlen Specter for this opportunity.

Some background on the nature of Pennsylvania Association of Colleges and Universities will help to clarify the direction and content of my testimony. The Association was created in 1896. Today the membership is comprised of 115 public and private college and university presidents from throughout the Commonwealth of Pennsylvania. The Association is unique among the fifty states in that it adopts and publicly advocates policy positions developed and endorsed by both public and independent institutions of higher education in the interests of the 500,000 students they serve. The single voice of this Association speaks always on behalf of those policy positions which permit all sectors of higher education to maximize educational opportunity and quality for those students. Thus we seek to preserve the diversity and excellence which have historically characterized Pennsylvania higher education.

This cooperation among the sectors serves the public interest in unique and important ways. It has made it possible for us to adopt for the guidance of public policy makers a Comprehensive Proposal for Financing Higher Education in

Pennsylvania. Our Association has also conducted a comprehensive inventory and evaluation of all the state's college degree programs. Presently, we are cooperating with the Pennsylvania Economy League in research to reveal the economic impact of higher education upon the Commonwealth of Pennsylania We provided major input to the 1978 Master Plan for Pennsylvania higher education and are helping with the implementation of that plan. All of these undertakings facilitate the most efficient utilization of the public and private resources which are committed in support of higher education. Our research and advocacy activities concentrate on vital and sensitive areas where an agency from outside the higher education community might be unable to elicit the same degree of cooperation as we enjoy.

I state these objectives of the Association simply to point out that changes in the administration of federal student aid funds, such as those recently put into place by the budget reconciliation legislation, tend to be divisive because they fall unevenly upon the public and independent institutions in the Commonwealth of Pennsylvania. These apparent inequities strain the fabric of unity which has permitted our institutions to resolve their differences within a context of shared purpose and to speak then in concert to the Congress.

A good example of the divisive nature of the changes made in the Guaranteed Student Loan Program is found in statistics compiled by the Pennsylvania Higher Education Assistance Agency on August 17, 1981 which indicate that the $30,000 cap on the Guaranteed Student Loan Program coupled with the requirement for establishing need above $30,000 adjusted family income will restrict the loan eligibility of 5,801 full time undergraduates presently enrolled at Pennsylvania's fourteen state-owned institutions and 5,165 enrolled at Pennsylvania's four state-related universities. This simply means that

students who were able to borrow under the Guaranteed Student Loan Program before the recent changes will have their loan eligibility eliminated or restricted, with the impact falling very heavily on students at two types of institutions in the public sector.

Lest my testimony suggest a critical note, I want to commend the members of Congress for their wisdom in establishing the $30,000 Guaranteed Student Loan cap with a need analysis above $30,000 as the better choice, rather than instituting a Guaranteed Student Loan Program based totally on need which was one of the alternatives facing the Congress. Preliminary data indicated that basing the entire Guaranteed Student Loan Program on estimated need would have even more seriously hurt students at Pennsylvania public institutions.

A more insidious aspect of these reductions in student aid is that they reflect and even foster a stultifying preoccupation with the price of higher education, regardless of its quality or character. As a result, students are routinely expected to study where they can pay the bill, not necessarily where their talents can best be employed. We in higher education promote diversity of opportunity because people are diverse in their abilities and aspirations. Their ability to learn does not always correlate highly with their ability to pay.

The philosophy guiding our programs of aid should emphasize the value to society of broadly educated and technically competent citizens in an era when we plan to reassert this Nation's historically preeminent position in science, engineering and commerce. It is false economy of the worst kind for the world's most enlightened nation to save money by wasting minds. Ultimately, America's only true wealth

is knowledge! Support for higher education is a capital investment, not a benevolence.

As a sugggestion for this Committee, we would propose that the Congress for the next fiscal year consider increasing the Guaranteed Student Loan Program ceiling for adjusted family income from the present $30,000 to $40,000. One of the major reasons why students in public institutions in Pennsylvania are so seriously affected by reduced access to aid is that tuitions in the public institutions in Pennsylvania are among the highest in the nation. This is a fact that is seldom recognized as changes in federal student aid law are made. For example, the tuition, room and board charges at Penn State for 1981-82 are $3700 for the academic year. Tuition, room and board at Pennsylvania's state-owned colleges is in the range of $2900, with tuition alone at $1250. It is not uncommon to find tuition at public institutions in the midwest and far west in a range of $600 to $800.

I also invite your attention to the present practice of allocating Supplemental Educational Opportunity Grant funds to the states on the basis of a state allotment formula which is enrollment driven. Although this is a program supposedly targeted for needy students, this formula puts the emphasis on numbers of students, not their individual or aggregate need. In an excellent article on this subject in the May, 1981 Journal of Student Finance Aid Benjammin Sandler identifies New York and Pennsylvania as two states which are significantly short-changed by this formula. Mr. Sandler suggests that Pennsylvania's 1980-81 SEOG funding was only 89.2% of the level which would have been justified on the basis of student need, not student number.

The Commonwealth of Pennsylvania, given the tightness of the state's recent budgets and the erosion of the state's tax base will have a diminishing ability to support programs

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which have traditionally been state-funded. Examples of this trend are the recent 5% increases in higher education appropriations (at a time of 8-10% inflation) and the $2 million cut in the Pennsylvania Higher Education Assistance Agency's state scholarship program, as well as a $2 million reduction in the community college appropriations for 1981-82.

The budget secretary of the Commonwealth of Pennsylvania estimates that in 1982-83 the Commonwealth will lose at least $100 million in Corporate Net Income tax revenue because of the change in the federal depreciation schedules for corporations. If this revenue shortfall in Pennsylvania for the next fiscal year is applied across the board, it could mean a reduction in state appropriations to higher education of as much as $6 million.

As the Congress considers priorities for all types of federal aid to higher education, we would suggest that in Pennsylvania student aid is far more important than any other federal aid to colleges and universities. It is important that Congress understand the "packaging" nature of the campus-based student aid programs which have traditionally been part of the funding utilized by college and university financial aid administrators. The Supplementary Equal Opportunity Grant, College Work Study, and the National Direct Student Loan are all essential elements of this package and should continue to be made available in combination with Pell Grants and Guaranteed Student Loans if the maximum flexibility for low income and middle income students is to survive.

Thank you for this opportunity to appear before the Subcommittee. Please call on the Pennsylvania Association of Colleges and Universities whenever we can assist in your deliberations.

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TUITION COSTS IN STATE-OWNED COLLEGES

Senator SPECTER. Dr. Ream, we will start with you. You are executive director of the Pennsylvania Association of Colleges and Universities. Let me start with this question.

I know that, from your prepared testimony, that tuition for Pennsylvania-owned State colleges is in the range of—tuition, room and board is in the range of $2,900, with tuition alone at $1,250 whereas, as you note, it is not uncommon to find tuition at schools in the Midwest and Far West at $800. Why such a significant differential?

Dr. REAM. I think the public system in Pennsylvania has historically been here for many years and, of course, it's grown up with a very large private system of higher education in the Commonwealth. Most of the midwest and far west institutions, particularly at the public level, have come on the scene more recently and the differential, frankly, has been a problem with State appropriations and the ability of the Commonwealth to appropriate to these public institutions.

Senator SPECTER. You are suggesting that the midwestern institutions have better appropriations from their State assemblies?

Dr. REAM. Yes. Traditionally, Senator, we used the MM Chambers data from the University of Illinois which breaks out all of the State appropriations to higher education. Pennsylvania traditionally has been about 46, 47, 48 in terms of per capita appropriations to higher education, State appropriations. We always have been low on the list of State appropriations.

Senator SPECTER. We only give one-half or two-thirds as much?

Dr. REAM. Absolutely.

COSTS OF RUNNING STATE INSTITUTIONS

Senator SPECTER. Our State institutions, are they more expensive to run than midwestern State institutions?

Dr. REAM. I don't think the actual cost of education differs that much when you consider tuition, room and board, but it's a question of ability and willingness to support it because when State appropriations are not there, obviously tuition goes up and Pennsylvania's public institutions are among the highest in the Nation in terms of tuition.

Senator SPECTER. Well, that's a good starting point, Dr. Ream. If you would proceed with your testimony.

Dr. REAM. Thank you. Senator, I want to thank you and the members of the Appropriations Committee for this opportunity. I timed my summary out last night in my hotel room and it came to 2 minutes and 32 seconds and I'll try to meet that.

This is an association of 115 public and private college and university presidents in the State of Pennsylvania and it is, therefore, unique because it's public and private higher education attempting to iron out its problems together, to reach consensus, to essentially provide a single voice to the Congress and to the State legislature on public policy which affects higher education and we think we do a fairly good job on that.

Senator Schmitt's letter did ask us to comment on what the reconciliation and the whole budget matter has done to our normal way of doing business and I would have to say that the tensions between public and private higher education in Pennsylvania have increased and have heightened considerably. Let me give you a reason why.

If, in fact, 40 percent of all the students who last year received guaranteed student loans are either ineligible or eligible for smaller guaranteed student loans, we are bound to set up tensions between public and private institutions in Pennsylvania. I've got to say, Senator, that from our vantage point we would commend the Congress for the $30,000 ceiling on the guaranteed student loan program rather than going entirely to need. We thought that was an important move because going totally to need one of the options that faced the Congress and we were glad to see that you took the $30,000 with——

Senator SPECTER. Why? Why were you glad?

Dr. REAM. Well, because going totally to need would have really disadvantaged students at public institutions. It does not disadvantage kids at private institutions because the cost of education, tuition, room and board are so terribly high now in private institutions.

Senator SPECTER. So that no one at a private institution now could show need, in any event?

Dr. REAM. That's essentially right.

Senator SPECTER. One of the problems we had on the committee was in trying to understand the formulas on need. They are extraordinarily complicated.

Dr. REAM. I agree.

Senator SPECTER. Maybe not so, but seemingly so to those of us in the Congress.

Dr. REAM. They are terribly complex and I'm sure Mr. Reeher could comment on that.

In any event, we thought that was the way to go with the options that the Congress faced. When you take a look that with the changes made in the guaranteed student loan program, if it's true that 5,800 students who attend our 14 State colleges in Pennsylvania and 5,165 at our 4 State-related universities will have their own eligibility either eliminated or restricted, we have to say that's serious and it's going to have a very profound effect on the way our association really operates. The curtailment of Federal grants and loan funds will probably cause larger numbers of students to seek the lowest cost education and thereby do serious damage to what we consider to be a cherished principle in higher education and that is the principle of choice and it simply may be because the funds are not there.

We are convinced that the guaranteed student loan program has been that program which closed the gap as a student faced higher education. That was the program that closed the gap and permitted them to go and maybe the very one not available will cause them to drop out.

Senator SPECTER. Dr. Ream, how much difference does it make which institution a student goes to?

Dr. REAM. Well, it doesn't make that much difference except the diversity of a 2-year community college education of a public institution, they all have merit. They've got something to offer Pennsylvanians. Either they are affordable, they are available, they are in close geographic proximity. It's the whole range of diversity that is important to Pennsylvania higher education and we would rather not see that put on the basis of——

Senator SPECTER. I went to four schools, Russell High School in Russell, Kans., the University of Oklahoma, the University of Pennsylvania, and the Yale Law School and after spanning that spectrum, I'm not at all convinced that it makes any difference which school a person goes to.

Dr. REAM. I don't think it makes that much difference, Senator. I'm saying that the diversity system we have at least in Pennsylvania ought to be there and ought to be maintained. If students are not able to fund their financial higher education, some of them are not going to be able to make it, some of the institutions are not going to make it and that's too bad because——

Senator SPECTER. But is there a problem because the student finds it necessary to go to an institution where it is less expensive?

Dr. REAM. No, not really, except at the public institutions with the public subsidy that will cause an increase in cost in the public sector. Qualitywise, I agree with you. I don't think there is that much difference. We would hope, Senator, that the Senate would give some thought to changing the allocation formula for the SEOG program, the supplementary equal opportunity grant program.

Now, the State allocation, State formula by which the funds are distributed at the Federal level are now based on number of students. We think that a change in that formula by which the funds are allocated to the States and truly put on the basis of need would not disadvantage a State such as Pennsylvania. There is now a study, recent study, that indicates that Pennsylvania has only gotten about 89 percent of the funding it should have gotten under the supplementary equal opportunity grant program because the formula is skewed simply to numbers rather than the need of the students receiving the SEOG. We were asked to comment, and I will do this briefly, on the State's ability to pick up some of the costs that will not be federally funded.

The appropriations increases for Pennsylvania higher education in the past few years have ranged about 5 percent at a time when inflation has been running 8 to 10 percent. This year $2 million has been cut out of the Pennsylvania higher education assistance agency State scholarship program, $2 million has been cut out of the appropriation by the State for the community colleges in Pennsylvania. Our budget secretary in Pennsylvania estimates that the Commomwealth of Pennsylvania during the current fiscal year may lose as much as $100 million in corporate net income tax revenue as a result of the Federal changes in depreciation schedules for corporations.

Senator SPECTER. Doesn't have to. All they have to do is modify the State law.

Dr. REAM. Well, that sounds easy, Senator, but when you put that to the industrial corporate community you are going to get an entirely different reaction, I suspect.

Senator SPECTER. You don't think it's sufficient to have those accelerated depreciation schedules and the tax benefits flow at the Federal level?

Dr. REAM. That's arguable.

Senator SPECTER. I have not seen anyone even suggest the State is free to do what it chooses.

Dr. REAM. The point is I don't think many States have moved in that direction.

Senator SPECTER. I don't suppose they will, but it's a distinct alternative.

Dr. REAM. Yes. Finally, Senator, in terms of priorities in Federal funding, I think from the vantage point of our institutions, student financial aid is probably the most important when you look at the full panoply of Federal aid to higher education. The packaging nature of Federal student aid is terribly important to our institutions. When you take the NDSL, SEOG, the campus-based student aid programs with Pell Grants with the guaranteed student loans we would have to say that would be our priority.

Again, to paraphrase something said earlier, that is not to say that Federal funds for research to our universities is not important. It's critically important and we need that as well. When it comes to crunch, these campus-based student aid programs are absolutely essential to our institutions.

Thank you, Senator.

Senator SPECTER. Thank you very much, Dr. Ream.

PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

STATEMENT OF KENNETH R. REEHER, EXECUTIVE DIRECTOR, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

PREPARED STATEMENT

Senator SPECTER. Before hearing a summary of your testimony, Mr. Reeher, we will place your prepared statement in the record at this point.

[The statement follows:]

PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

PREPARED STATEMENT OF KENNETH R. REEHER

EXECUTIVE DIRECTOR

Your invitation to testify asked that we address our remarks to three issues. The first issue concerns the necessary adjustments to the Pennsylvania state agency's activities in response to change in federal financial aid legislation for 1981-82.

Modifications to the Guaranteed Student Loan Program made it necessary to expend considerable Agency resources to: (1) revise the state loan application, the promissory note forms, regulations, lender agreement forms, and informational brochures; (2) modify the Agency's extensive data processing system to process loans; (3) prepare and disseminate new procedural guidelines to postsecondary institutions and GSLP lenders; and, (4) respond to increased mail and phone inquiries regarding new eligibility criteria, effective dates of changes, lender return on loans, and the potential effects of program changes on borrowers and lenders. These activities were similar to and repetitions of ones required last year in response to the 1980 Higher Education Amendments.

Administering annual changes in the student loan program and explaining these changes to students, lenders, and other concerned parties is becoming a way of life for state agencies, the federal government, and the lenders in the private sector. These annual changes inhibit constituent participation in the program even during those periods when access to the program and its benefits is liberalized.

This year the establishment of a Parent Loan for Undergraduate Students (PLUS) program, now called the Auxiliary Loans to Assist Students (ALAS) program, made it necessary to: (1) prepare and obtain passage of state legislation to enable Pennsylvania residents to participate in ALAS; (2) design, print, and distribute all the forms, informational brochures, and procedural guidelines necessary to implement and administer the program; (3) develop and implement new data processing procedures; and, (4) schedule workshops to help personnel at the education and lending institutions learn the purpose of the program and how it will operate.

The Agency is unlikely to have become so extensively involved in implementing the ALAS program had the Congress not restricted student access to GSLP loans. When GSLP loans were fully available, the Agency, the colleges and schools, and the lenders had to process just one application per year per student. But because changes in the GSLP have restricted the ability of many students to obtain needed loan dollars, their parents will have to borrow through ALAS, thereby doubling the administrative costs of lenders, schools, and guarantee agencies for handling two different sets of loan applications for any given student.

The second issue concerned the capability of state and local governments to assume greater shares of the costs and administration of the federal financial aid programs. Agencies of local governments have rarely been involved with financial aid

programs at any level. However, state governments have been the primary sponsors of higher education opportunities through direct subsidy of costs of education and the provision of capital expenses for the construction of public postsecondary institutions.

Agencies of the Commonwealth, especially PHEAA, the Department of Education, and the publicly-supported postsecondary educational institutions, have played a long-term role in administering federal financial aid programs. In theory, the agencies of the Commonwealth could substantially increase their shares of the costs of administering the federal aid programs if they were given sufficient time to obtain resources and prepare to do so. In fact, they have increased their share of administrative burdens and costs in response to many legislative changes in this and earlier years--with very little lead time to respond to those changes and limited financial incentives to do so.

The Commonwealth financed the student loan program in Pennsylvania for many years when other states chose to let the federal government guarantee loans for their students. Pennsylvania was one of the earliest pioneers in financing grant programs to needy students at taxpayer expense.

The issue is not as much the state agencies' abilities to accept a greater share of the administrative burden as it is one of justifying acceptance of these new burdens. Shifting the administrative costs of federal student aid programs to state agencies, such as PHEAA, without providing some significant incentives to the states for accepting these increased costs seems unjust and in violation of the philosophy underlying the federal-state-institutional partnership in financial aid. It also places an unjust burden on those states which have for many years financed the administration of federal aid programs when other states accepted the benefits of these federal programs without offering administrative or financial support.

Although the agencies of the Commonwealth are probably capable of and willing to accept an increased responsibility and administrative effort, the support for these increased efforts could not be expected to come from state sources of funding. Other states' agencies may be unwilling and unable to play a greater role in the administration of federal aid programs unless federal incentives are offered to justify the states' increased expenditures for staff and other resources to enhance state administrative capabilities. (Over half the states have grant or scholarship programs which are relatively small and have become operational, due in part to federal incentives, within the last ten years. Of the 51 state loan guaranty programs now in operation, 26 began making GSLP loans within the last five years.)

The creation of incentives to states to accept larger roles in the administration of federal programs brings us to consideration of the third issue posed in our invitation to testify: the changes in funding priorities we recommend to improve the targeting and efficiency of federal aid programs. We start with the guiding principle that the best federal aid program changes are those which are likely to produce the maximum leverage of state, institutional, or private dollars to financial aid programs. The use of federal dollars to create additional sources of support from non-federal sources provides, from our viewpoint, the best incentive to states to accept more of the administrative costs and functions of the federal aid programs.

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The federal program which leverages the most dollars of non-federal financial aid is the GSLP program. Although the federal government's costs for subsidization of the GSLP have skyrocketed in the past three years, the principal loaned to students is derived from private sources. Guaranteed loans represent over one-third of all financial aid and educational benefits available to students from all federal, state, institutional, and private sources. They account for more than twice as many dollars of support to students than does the Pell Grant Program. The highest priority should be given to maintaining the GSLP program and the access to student loans it provides from private sources of funding.

The new GSLP legislation, which restricts borrowing among students from families with incomes above $30,000 to "financial need", will help depress the government's costs of subsidizing the GSLP program. However, because college costs are increasing at a double-digit rate, Pell Grants have been reduced, and students have relatively less access to aid from other sources, borrowing among lower- and middle-income students may increase to such an extent that GSLP subsidy costs will continue to rise.

Restricting borrowing among higher-income students to their "financial need" has the potential for at least two undesirable effects. First of all, the way "financial need" is measured could severely limit student access to loan funds which are truly needed. This is especially likely to happen in 1982-83 when the Congressional Methodology for Need Analysis is legislated to guide the delivery of all Title IV funds. The Congressional Methodology is not geared to the measurement of need for loans among specific borrowers. It is an adaptation of a need analysis methodology which was designed to ration limited federal grant dollars among a quite different population of aid applicants than those who apply for guaranteed loans. Using this methodology could result in restrictions on borrowing which prove disastrous to many postsecondary institutions.

Secondly, the use of need analysis systems in the GSLP program may so increase the administrative costs and complexity of the program that lenders and guarantors may decide to reduce or discontinue participation in the program. This could cause an even more severe restriction on student access to loans.

Priority should be given to GSLP legislation which enhances student access to and lender participation in the program. If federal budgetary exigencies require reductions in the costs of subsidizing the GSLP program, then priority should be given to reducing the costs of those subsidies which occur after the borrowers are no longer students. The Department of Education recently estimated that 80 percent of the current costs of GSLP subsidies are for subsidies to borrowers who are no longer in school.

Earlier this year PHEAA offered a proposal to the higher education community to reduce the "after-school" subsidy costs by providing borrowers with various discount rates and terms for early repayment of their loans. An analysis of this proposal suggests that this "discount plan" would reduce the federal government's total GSLP subsidy costs by approximately 40 percent without restricting needed student access to loans or lender participation in the program. PHEAA strongly urges the Congress to direct its attention to this proposal and other proposals to restrict GSLP subsidy

costs which occur after the borrower is no longer a student and when the borrower is employed and able to repay a loan in a timely fashion.

The federal program which currently provides some incentive to states to increase their support of grant programs is the State Student Incentive Grant (SSIG) program. Since SSIG's inception in 1974-75, 27 states and territories have established new gr. .t programs. In 1980-81, these 27 new areas' programs awarded $33 million to students. This amount represents less than four percent of all state grant program expenditures. But the 27 new programs received about 17 percent of all 1980-81 SSIG allocations, so the ability of the federal incentives contained in the SSIG to create a positive effect on financial aid funding in some states should not be minimized.

The primary reason that the effect of SSIG allocations on other state grant programs is limited is that federal appropriations are generally too small to provide significant incentives to generate new state appropriations and administrative support. The SSIG funding levels have represented, on the average, only about seven percent of all annual state grant program expenditures. Appropriations to the SSIG have taken a backseat to funding priorities given to the Pell Grant and federal campus-based programs. With the exception of the College Work-Study Program and, to a much lesser extent, the National Direct Student Loan Program, these other federal programs are devoid of any ability to leverage dollars from non-federal sources of funding.

The current SSIG program requires an equal matching of federal with state dollars, so every dollar of federal support leverages at least two dollars of grant aid to students. Larger SSIG appropriations and allocations to states and an increased state matching formula would provide greater incentives to states to increase their funding of their grant programs.

For example, if the SSIG appropriations were increased and allocated under the requirement that every two newly appropriated federal dollars be matched with only one newly appropriated state dollar, the states are likely to increase support of their grant programs. Just a ten percent increase, about $7.68 million, in the 1980-81 SSIG appropriation would generate $3.84 million in new state appropriations for a total increase of state grant aid to students of $11.52. Doubling the SSIG appropriation under the "two-for-one" matching formula would generate an additional $38.4 million in state appropriations for a total increase of state grant aid to students of $116 million. This amount would represent a 13 percent overall increase in available aid from state grant programs.

An alternative to simply increasing federal student aid costs by increasing the SSIG appropriation would involve transferring 25 percent of the Pell Grant appropriation to the SSIG and distributing this amount among all states with a requirement that each state match these new allocations on a dollar for dollar basis. Federal payments to the Pell Grant schedule would be reduced by 25 percent at all award levels.

In states that accepted the new SSIG monies, the maximum Pell Grant could be reduced to $1,350 of federal dollars and supplemented by state dollars to an award equivalent to the maximum $1,800 Pell Grant offered in 1979-80. This plan would restore the Pell Grant to its higher level, but with half the money required for the restoration coming from state appropriations. Because the federal appropriation would be matched by state appropriations, more grant aid would be available to more students.

In conclusion, the priorities of Pennsylvania are concerned with federal programs that enhance the financial aid partnership among states, postsecondary institutions, the federal government, and the private sector of our economy in a manner that will efficiently and effectively enable all partners to provide the maximum needed aid to the majority of students at a reasonable cost to all. To have other priorities in this time of increasing demand for a well-educated, well-trained populace would be a violation of our public trust.

Thank you for asking us to testify.

DISCOUNT OPTION

Senator SPECTER. Mr. Reeher, I would like to ask you a question at the outset of your summary of your testimony. With respect to the very interesting suggestion of having the borrower make an earlier repayment of the student loan, which is an idea which I saw first expressed in your prepared statement, what would you recommend specifically?

Mr. REEHER. Senator, I believe we have provided your staff possibly on the education side with a copy of that discount option paper. I do have another copy with me that we can give you. We have taken the approach that if you want to save Federal dollars, the budget committee went the wrong way. What they have done is they have cut out new loans and are impacting on access of students to higher education. Their failure is to recognize where the Federal dollars are going.

About 80 percent of the cost this year for the guaranteed student loan program is for those loans which are already out. In other words, you have billions of dollars of 7 percent loans where the student is charged 7 percent and the last quarter the Federal Government subsidy was 12¼ percent. We put out a substantial number of 9-percent loans since last January where the Federal subsidies, special allowance that's paid to the banks, is 10¼ on top of that and these students have a $30 a month, 10-year repayment schedule and our study indicates that if the Government would discount that loan by 30 percent at the time the student graduates that as compared to the 10-year repayment, the Federal Government would save 47 percent of their cost and the student would save 50 percent.

Let me take it one step further. At the close of the grace period if you would discount that loan 20 percent, the Government would save 46 percent of its cost as compared to financing that low-interest loan over a 10-year period. A survey we did of the student borrowers in Pennsylvania indicates that 52 percent of our student borrowers would be likely to take advantage of that option at the close of the grace period and 1 year after they are in repayment where the Government savings is still 43 percent if you discounted 15 percent of what they owe, 71 percent of the borrowers indicated a likeliness to participate.

Last year we had 1,300,000 borrowers come due for repayment and our figures indicate that if you would get into that discount option that the Government would this year save $566 million.

Now, there is a little catch to that because you have come up with the front-end expenditure to handle the discount and you really start to get your savings in the third year. We think that at some point you have to look away from the immediate savings and look at the outyear savings and the only way to do that is to get these highly subsidized loans that have been made in large numbers off the books as quickly as possible. We think that can be done. You can effect your savings and not impact on student access.

Senator SPECTER. When will you propose that the students start repaying the loan?

Mr. REEHER. Currently, depending on their loan, they will repay at 9 months after graduation or 6 months after graduation.

Senator SPECTER. The full loan?

Mr. REEHER. We are saying that within 30 days if they pay the full loan off you give them a 30-percent discount. Now, of course, the question comes: Well, where does that money come from if they had to borrow it?

We have to recognize that a majority of the borrowing is a cash flow problem. Parents can't come up with 6, 7, 8, $9,000 a year 4 years in a row for one child and maybe 6 years in a row if they have two children. So it's a cash flow problem and we think that parents can put some of those funds away.

Senator SPECTER. Under existing law when does the student start to repay the loan?

Mr. REEHER. The 7-percent loans are due 9 months after graduation.

Senator SPECTER. The full loan?

Mr. REEHER. No, the repayment begins.

Senator SPECTER. Repayment schedule begins?

Mr. REEHER. They have a $30 monthly payment for up to 10 years to repay it. The 9-percent loans begin 6 months after graduation.

The other thing that we would suggest that has not been coupled in with this discount——

Senator SPECTER. How much could that be accelerated, in your judgment?

Mr. REEHER. Well, for example, if you would build into your enabling legislation a tax relief for an employer who would pay this off for a potential employee, it might have very serious, a very serious impact in future years.

Senator SPECTER. That's going to cost you money somewhere else.

Mr. REEHER. That's possible, yes.

Senator SPECTER. What is the net saving going to be if we give the employer a tax benefit if he repays the loan?

Mr. REEHER. We estimate——

Senator SPECTER. Comes out of one vest pocket into another, doesn't it?

Mr. REEHER. No; you are committed currently to financing that loan at treasury bill plus 3½ percent for up to 10 years. You are enabling people to retain a 7- or a 9-percent loan for 10 years in a 19¼-percent market. You have billions of dollars of that out there and to really affect your savings—as I pointed out, 80 percent of the loan cost is subsidizing those loans which have already been made and as long as you have to do that you really have to impact on new loans and access to effect any savings.

Our figures indicate that the 1.3 million students who were due for repayment this year, if that program would go into effect according to the survey figures of participation that they have indicated to us, you would save $566 million.

Senator SPECTER. What do those figures suggest, that they can repay the loans faster than they are currently being required to?

Mr. REEHER. Yes, and they are also crazy if they did in the current market.

Senator SPECTER. They are repaying the loans not by going out and borrowing other funds to repay the loans. They are repaying them faster out of their own earnings, just a matter of an allocation of resources?

Mr. REEHER. If I follow your point, Senator, the student has in hand a 7-percent long-term loan. They are in a 19¼-percent market.

Senator SPECTER. The object is to say to the borrower to pay it back as promptly as you can without affecting the ability to support yourself otherwise.

Mr. REEHER. Yes.

Senator SPECTER. What does your experience show to be the maximum acceleration which we could expect the students to repay the loan, still leaving them able to support themselves?

Mr. REEHER. Well, our survey of the borrowers indicated that 52 percent would participate at the close of the grace period, the 9 months or the 6 months.

Senator SPECTER. When you say participate, you mean start to repay?

Mr. REEHER. Would participate in the accelerated repayment.

Senator SPECTER. What would that accelerated schedule be?

Mr. REEHER. At the close of the grace period they would make the full repayment in exchange for a 20-percent discount of the principal.

Senator SPECTER. So that you are suggesting they go out and borrow the money to do that?

Mr. REEHER. Yes.

Senator SPECTER. Does that make financial sense for them to do that?

Mr. REEHER. Yes, it does, Senator. They could go into the market at 12 or 13 percent and pay off a 7-percent loan and save money.

Senator SPECTER. How can they find 12 or 13 percent money?

Mr. REEHER. Well, that was the figures that we were looking at at the time.

Senator SPECTER. But that's not realistic today, is it?

Mr. REEHER. No; there is the possibility, Senator, that, for example, parents at that point could refinance home equity at 15 percent and they could save money.

Senator SPECTER. I think you raise a very good point on the basic consideration. After the education is finished it might be an appropriate time for the individual to assume a greater share of the interest cost because you are really looking at his interest as opposed to some other individual who needs the money while he is going to school and if you are comparing those two people, the equities lie with the person who wants to be in school. I think it's a very interesting idea, Mr. Reeher, which had occurred to my colleague apparently, but not to me.

Mr. REEHER. I would suggest, Senator, that you ask your staff to study closely the dollars that the Federal Government has already committed to these long-term repayment plans and when you get those in focus, what the Government will spend over the next year, and you compare with the short-term costs, that's where your savings come in.

Senator, if I might, I would ask if you would permit that the discount paper be entered into the record. We will provide copies of that.

Senator SPECTER. Yes, we shall do that.

Mr. REEHER. I have covered the cost of the loan program to the Federal Government. I don't want to move away from that without pointing out the very critical role that the loan program plays in financing higher education. If we take all of the BEOG or Pell grants and add thereto all of the State scholarships that are offered in Pennsylvania, some $70 million, about $120 million in Pell grants, if you take and add those two together and multiply it by 2½ times you reach the level of the student loan program.

We are working with the Pennsylvania Economy League and PACU to try to do what an analysis of what higher education means economically to the Commonwealth. We would hope to be able to share that with you at some point.

Senator, I'm not going to go through my presentation. I note that the Chair has read these presentations before we arrived, but to make some additional comments that might be of interest to you. In the area of student loan, the student loan program in the city of Philadelphia, last year we made almost 64,000 student loans worth $142½ million. Since the program's inception we have helped through the student loan 323,000 students, residents of Philadelphia, worth $589 million. So any changes to this program does have an impact on your local constituency.

STATE GRANTS

In the area of grants, in State grants, in last year we gave $9½ million in state grants in Philadelphia. The basic grant program gave nearly $30 million. It was a $50 cut in the Pell grant last year. This year we will give $14.6 million in State grants in Philadelphia. That is an increase of about 12 percent.

On the other hand, the basic grant will drop from nearly $30 million to about $26 million because all of those students have been subjected to an additional $80 cut.

In addition, the inflation adjustment that is normally made for their income has been removed as the administration pulled back the previous regs.

Three questions were presented by the chairman. If I might just address those.

Senator SPECTER. If you are going to do so, will you please be very brief because we are running very late at this point and I want to move on?

Mr. REEHER. Yes; the impact boils down to if you want a student loan, now you apply two times; you apply first in the student loan program, go through need, see whether or not you are eligible for anything, and then your parents apply a second time. So there is that workload for the colleges and ourselves.

As far as the capability of State or local government to assume anything further, I think that we have bypassed the State treasury, we have bypassed the ability of the State treasury to finance higher education funding in little things such as we are not aware of. In Pennsylvania we

have provided matching for State and community colleges. We have underfunded the SSIG, the State student incentive grant. Every Federal dollar that you put into that we must match. We think there is a great potential there for you to leverage State dollars. The basic grant is not matched. The SSIG is matched.

Senator SPECTER. And that match comes from where?

Mr. REEHER. From the State treasury.

Senator SPECTER. Do you think the Pell grants ought to be structured to call for a match?

Mr. REEHER. A portion of that money could, in fact, be redirected to the State with a matching requirement and it would be possible where your Pell grant now is below the $1,800 maximum because of cuts. The max is $1,670. You could do that.

Senator SPECTER. Do you think if there were a match requirement that the State would have the funds to make that match?

Mr. REEHER. Well, I think our biggest problem in higher education in Pennsylvania is getting the State to set a priority for those moneys and I believe that if you put that carrot out there, that it possibly would happen. With $76 million in State student incentive grant Federal dollars you have created 28 new State grant programs with that minimum money so the potential is there. All of the Federal money that we get through the SSIG in Pennsylvania has been matched and, in fact, overmatched. So I believe the potential is there.

Senator SPECTER. Thank you very much, Mr. Reeher.

PENNSYLVANIA STATE UNIVERSITY

STATEMENT OF DR. JOHN BRUGEL, DIRECTOR OF STUDENT AID, PENNSYLVANIA STATE UNIVERSITY

PREPARED STATEMENT

Senator SPECTER. Next is Dr. Brugel. We will place your prepared statement in the record and then move on to the questions.

[The statement follows:]

PREPARED STATEMENT OF JOHN F. BRUGEL, DIRECTOR

OFFICE OF STUDENT AID, PENNSYLVANIA STATE UNIVERSITY

It is a pleasure to appear before the committee to discuss the Post-secondary Student Assistance Amendments of 1981 and to comment on other aspects of the Federal Student Assistance Programs.

The federal budget reducing activities of this past spring and summer have, on a programmatic basis, produced discernable or anticipated changes in our student assistance programs. The changes are designed to transfer a greater portion of the cost of postsecondary education attendance to non-federal sources; notably families and states. An analysis of the previous year's (1980-81 academic year) cost of education and sources of aid for Penn State students (see Attachment I - Major Sources of Student Assistance) indicates that loans constitute 19%, grants 9%, employment nearly 5%, scholarships less than 2%, Social Security, VA Benefits and other miscellaneous sources approximately 7%, and family contribution nearly 60%. Clearly, students and families have been the major source of assistance. The "self help" component (student loans, student employment, and family contribution) equaled 82% of the $283 million aggregate cost of education.

Recent reductions in Pell Grant awards and the legislated phase-out of Social Security educational benefits will shift a growing share of the cost to the student and family.

Pell Grants:

Three substantive cost reducing features have been instituted for the 1981-82 academic year:

(a) Maximum award initially limited to $1750 rather than $1900 as provided in Education Amendments of 1980.

(b) $80 across-the-board reduction in each award, reducing the minimum award to $120 and maximum award to $1670.

(c) Use of non-inflation adjusted cost of living data employed in the eligibility calculations.

These changes have had the following effect on students and their families:

(a) Previously eligible students dropped from program due to non-inflation adjusted calculations.

(b) The estimated number of student awards has declined as has the average award for the upcoming academic year. Program decline was also evident last year. Over a two year period the number of awards has declined by 20%, the average award has declined by 18%, and the aggregate value of the assistance to Penn State students has declined by 35%.

TABLE I - PENN STATE PELL (BASIC) GRANT ACTIVITY

	# of Awards	Value	Average Award
79-80	16,483	$15,515,481	$941
80-81	15,228	13,728,844	901
81-82 (Est.)	13,100	10,159,000	775

The estimated cost of attendance for a Pa. resident at the University Park Campus of the Pennsylvania State University has increased from $5184 (1980-81) to $5916 (1981-82).

According to a recently completed study, the estimated cost of attendance increased 14.1% over the previous year while the average BEOG award decreased 14%. As other grant programs are not increasing, families and students must borrow more, work more, or do without! I suspect that in many cases all three options will be necessary.

The gradually increasing authorization ceiling on the Pell Grant Program (FY 82 - $2.65 billion, FY 83 - $2.8 billion, FY 84 - $3.0 billion) reflects congressional recognition that the program is the basic foundation of a federal aid package. I strongly urge the Senate Appropriation Subcommittee to fully support this cornerstone program.

The continuation of the BEOG Institutional Administrative Allowance ($5/student recipient), though at a reduced level, is appropriate given the degree of involvement necessary to meet federal information, award calculation, validation, and reporting specifications. The federal government has a responsibility to share in the administrative cost of federal programs whose administration has been substantially delegated to non-federal agencies.

Guaranteed Student Loan (GSL)

The recent amendments to the GSL should effectively eliminate purported abuses while also reducing program cost. However, to effectively reduce

cost for the 1981-82 AY, the origination fee and income cap/need approach should have been implemented by April 15 as processing for the next school year begins at this point. By August 1, (see Table II - PSU GSL Processing) 20,000 GSL Applications had been processed by the University.

TABLE II - PSU GSL PROCESSING

	Loan Applications Processed by August 1	Total Academic Year Program
1980 (80-81 AY)	11,000	23,300 recipients $50.1 million
1981 (81-82 AY)	20,000	Estimated at 27,000 recipients $54.0 million

Consequently, while the total 81-82 program can only be estimated at this time the majority of the loans will have been submitted and processed under the old regulations sans origination fee and new loan limiting features.

The final GSLP changes reflect a thoughtful and reasonable effort to reduce program cost by sharing expenses and reducing program volume. These changes, in conjunction with retention of the in-school interest subsidy, will permit responsible student participation. Additional consideration should be given to the long range program cost reductions available through early loan retirement (loan discounting).

Campus Based Aid Programs

National Direct Student Loan (NDSL)

The NDSL is usually packaged with other aid sources to assist the highest need students at our institution. For the current year an extreme hardship has been created by a $100 million reduction in federal funding. Penn State suffered an NDSL reduction of over $800,000. This program constitutes, in the case of many schools, the largest single source of campus controlled assistance to help needy students.

The drastic cut in funding caused over 1,000 PSU students to be dropped from the program. While these students will be eligible to receive Guaranteed Student Loans, following graduation they will have to shoulder concurrent NDSL and GSL repayments which can prove to be an unmanageable burden.

While the succeeding fiscal year federal budgets provide a stable $286 million for this program, the disruptive impact of this year's reduction

should be recognized. Appendix I contains several selected case histories from the over 6000 needy PSU students denied campus based aid for the 1981-82 academic year. These cases illustrate the program displacement which occurs when federal funding is held constant or reduced while academic and non-academic costs continue to rise.

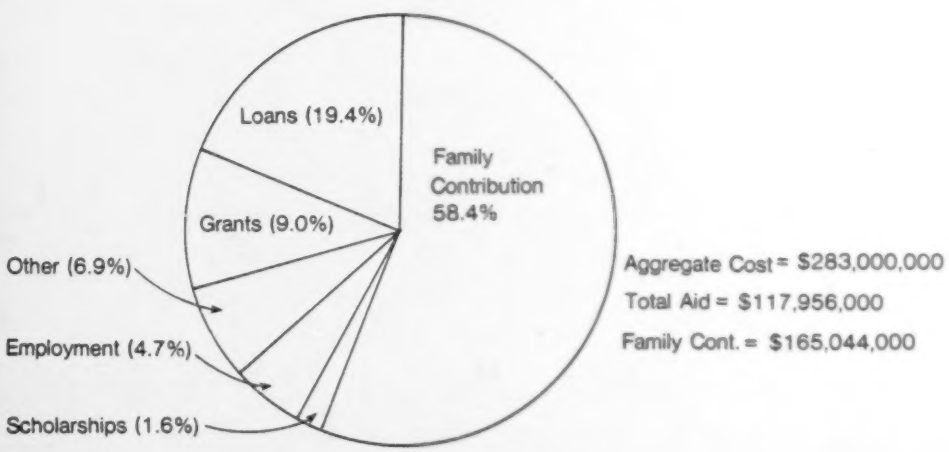
The recent change in the NDSL interest rate from 4 to 5% was appropriate but perhaps too modest. The ability of the loan to assist students rapidly decreases each year due to the loss of "purchasing" power to inflation and a legacy of 3% and 4% loans.
A more realistic NDSL interest rate would be 7% or 8%. The inflationary drain on the NDSL fund would be reduced and yet the interest would be attractive and manageable for students.

Summary

- Students and families are currently paying the major portion of higher education costs. The family share will rise sharply due to rising institutional costs and declining Pell Grant and Social Security assistance. The case studies in Appendix I clearly demonstrate that additional family sacrifice - student employment and borrowing will be necessary for many students if they are to continue their studies.
- 1981-82 GSL volume will increase due to the reductions in other aid sources and the rising cost of institutional attendance. GSL cost reductions will not be evident until the 1982-83 academic year.
- While a gradual reduction in federal aid programs may be viewed as necessary or desirable, abrupt changes cause a good deal of family suffering and unanticipated hardship.

ATTACHMENT I

MAJOR SOURCES OF STUDENT ASSISTANCE
1980-81



LOANS	$54,953,000	19.4%		
1.	Guaranteed Student Loan		$50,100,000	17.7%
2.	National Direct Student Loan		4,200,000	1.5%
3.	University Loan		653,000	.2%
GRANTS	$25,580,000	9.0%		
1.	BEOG		$13,729,000	4.8%
2.	SEOG		2,725,000	1.0%
3.	State Grants		8,221,000	2.9%
4.	Miscellaneous Grants		905,000	.3%
OTHER	$19,629,000	6.9%		
1.	Social Security Benefits		$ 6,247,000	2.2%
2.	VA Benefits		9,582,000	3.4%
3.	Miscellaneous		3,800,000	1.3%
EMPLOYMENT	$13,200,000	4.7%		
1.	Work Study		$ 4,300,000	1.5%
2.	University Employment		8,900,000	3.2%
SCHOLARSHIPS	$ 4,594,000	1.6%		
1.	University		$ 1,178,000	.4%
2.	Industrial, Business, etc.		1,732,000	.6%
3.	ROTC		1,684,000	.6%

APPENDIX I
CASE STUDIES

This past spring over 6000 needy upperclass Penn State students received a "regrets" letter indicating that no Direct Loan (NDSL), Supplemental Grant (SEOG) or federal employment (CWSP) award could be offered due to fund limitations. These students were advised to pursue the Guaranteed Loan, Pell Grant, and State Grant Programs.

It is not unusual for an aid office to refer "less needy" students to other forms of assistance. However, a review of four selected cases from this year's population may prove instructive as many extremely high need students had to be rejected.

Case 1

FM is a 3rd year student majoring in Individual and Family Studies with a 3.46 cumulative grade point average. A resident of Butler, Pa., FM is from a 5-member family with 1 parent working, and 1 in college.

	1980-81	1981-82
1. Family Income (AGI)	$20,420	$23,353
2. Family Contribution	1,465	2,084
3. Need	$ 3,719	$ 3,832
4. Aid		
Pell Grant	$ 826	$ 0
State Grant	330	469
NDSL	1,201	0
SEOG	1,150	0
GSL	--	2,000
TOTAL	$ 3,507	$ 2,469

Comment: Student has an unmet need of $1,363 which may be met by an additional $500 GSL and additional contribution from family or through student employment. Student has lost over $1800 in grant funds.

Case 2

A resident of Waterford, Pa., KA is a Senior Communications Major with a 3.68 cumulative grade point average. KA is from a 7-member family, 2 parents working with 3 in college.

	1980-81	1981-82
1. Family Income (AGI)	$27,858	$31,653
2. Family Contribution	1,102	1,425
3. Need	3,533	3,846
4. Aid		
Pell Grant	$ 876	$ 796
State Grant	100	100
NDSL	1,033	0
SEOG	1,150	0
Scholarship	300	300
TOTAL	$ 3,459	$ 1,196

Comment: Student has lost over $1200 in grants and has an unmet need of $2,650 which could be addressed through a GSL of $2,500 (eligibility established on the basis of need). However, student may be discontinuing study due to high unmet need.

Case 3

KR is a 3rd year Mechanical Engineering student with a 2.63 cumulative grade point average. Residing in Allentown, Pa., KR is from a family of 5 with 1 parent working, 2 in college.

	1980-81	1981-82
1. Family Income (AGI)	$22,136	$26,164
2. Family Contribution	1,620	1,919
3. Need	3,564	3,997
4. Aid		
Pell Grant	$ 726	$ 246
State Grant	390	411
NDSL	1,086	0
SEOG	1,150	0
GSL	0	2,500
TOTAL	$ 3,352	$ 3,157

Comment: Student has lost over $1600 in grants and has an unmet need of $840.

CASE 4

PS is a 3rd year student carrying a 3.52 grade point average in Water Resource Engineering Technology. PS is from a 4-member, 1 parent working (laborer), 1 in college family residing in N.E. Pennsylvania.

	1980-81	1981-82
1. Family Income (AGI)	$16,076	$13,430
2. Family Contribution	1,776	1,250
3. Need	$ 3,183	$ 4,666
4. Aid		
Pell Grant	$ 576	$ 496
State Grant	210	910
NDSL	1,250	0
TOTAL	$ 2,036	$ 1,406

Comment: During 1980-81 student must have relied on off-campus employment of approximately $1,000. Though student's grants increased by $620 for 1981-82, unmet need still exceeds $3,200.

NDSL INTEREST RATE CHANGE

Senator SPECTER. Dr. John Brugel, director of Student Aid, Pennsylvania State University.

I was interested with your statement overall, Dr. Brugel, but focused with particularity on a comment that you made about the recent change in the NDSL interest rate from 4 to 5 percent was appropriate but perhaps to modest. What would your recommendation have been, Dr. Brugel?

Dr. BRUGEL. If I would have had my druthers, Senator, I would have seen us rather not have the $100 million cut we suffered this past year but, rather, to have a higher interest rate for students to assist us in our efforts with that program.

I was fortunate enough to borrow at 3 percent 100 years ago and it's only 5 percent now, I think that is far too modest.

Senator SPECTER. I don't think your statement told us when you made your borrowing.

Dr. BRUGEL. When you limited me to 7 pages, I did not choose to do that. However, in 1959 I was borrowing. Also in 1960 I borrowed as a graduate student in California.

Senator SPECTER. You paid 3 percent and it's now up to 5 percent?

Dr. BRUGEL. I paid 3 percent on the NDSL that I borrowed and the new notes that would be issued this year would be at 5 percent. I just think that's a very, very modest interest rate and could very easily be higher. I would think 7 or 8 percent could be very easily defended because each year the purchasing power for the colleges is being reduced, the value of their NDSL fund is being reduced.

Senator SPECTER. Fine. If you would summarize your testimony, please, Dr. Brugel.

Dr. BRUGEL. I appreciate the opportunity to demonstrate the effect of some of the Federal initiatives on Penn State and I believe it probably will reflect what is happening at other institutions.

As you know, the Federal effort has been to transfer a degree of responsibility back to families and to States.

I did an assessment of the situation at Penn State and have that demonstrated in my paper to show you that prior to the most recent initiative parents and the family, the students, were picking up approximately 58 percent already of their cost and then if you factored in loans and employment of all types, that figure was in excess of 80 percent of the full cost.

I just throught that was a very significant figure for you to be aware of, Senator, that, indeed, the major portion has not been borne by either the Federal or the State government. The cost reducing activities have had a very discernible effect on our campus. The average Pell award is down by $125. The number of awards has been reduced by 2,000 for next year.

Senator SPECTER. The average Pell Award is down by $125.

Dr. BRUGEL. Yes, sir.

Senator SPECTER. But the reduction was only $80, was it not?

Dr. BRUGEL. Well, actually there were three separate efforts at reducing the award in that program. One is the $50—when legislation was calling for $1,800, we have a $50 cut that began there. We had no offset or no inflationary change to the family contribution offset, so some families just became ineligible on the basis of the inflationary push on their income and then the $80 across-the-board cut.

Senator SPECTER. What is the impact, in your judgment, of the $80 reduction? We had a long discussion about that in the subcommittee as to what that meant and we may have been in an atmosphere which wasn't as realistic as your atmosphere and the essential question which we re trying to come to grips with as we are trying to pare the budget someplace is will an $80 reduction cause some students somewhere to drop out?

Dr. BRUGEL. I doubt that that factor alone would cause students to drop out, Senator. I think that the combination of factors that we see arising will be causing some students to either opt out of the particular type of institution they are attending or to change their pattern of attendance so that they will be studying on a part-time basis rather than a full-time basis.

I do intend to initiate a follow-up study at Penn State to see what has happened to many of the students that we were forced to deny Federal aid to this past year. We had over 6,000 students who were extremely needy but had to be denied financial assistance from the university.

Senator SPECTER. I'm informed that President Carter had requested the elimination of the NDSL and the structuring of an entirely new program.

Let me ask this question of you gentlemen as a group. Would it make more sense to structure some overall program as opposed to the varieties of programs which are in the field? It is a fair maze to go

through for a student who is considering a loan. It is a fair maze for a Senator to go through to seek to understand these matters. I'm fortunate to have experts—Gar has been here since 1974 and Jacqueline since 1974—well, for a long while. Would it make more sense to have a single program?

Mr. REEHER. Senator, if I might respond to that. The Carter proposal was designed to move from direct appropriations for NDSL to off-budget financing which, when President Reagan came in, he was opposed to that kind of thing. I am in the State student loan business but I think that the institutions do need the capability to make loans when they are working with parents and students, particularly the low-income student that has never been in a commercial bank and doesn't know how to go about getting access. If that program could be funded in another way other than the direct appropriation it could be larger and that was the Carter concept, that by moving off budget you could generate moneys in different ways to provide more of that direct NDSL type of loan.

At the same time, though, it would have moved from 4 percent to more closely the money market kind of loan.

There was a question about students dropping out and whether or not that would occur. In Pennsylvania we have had a $130 cut in the Pell grant program. We have had roughly 10 percent in the State grant, $150. The student now has to pay a 5-percent origination fee in the guaranteed loan program, which is another reduction. That totals $405 in cuts.

Senator SPECTER. Not for everybody. Everybody doesn't get the total cut.

Mr. REEHER. Well, in the Pell grant everybody got it.

Senator SPECTER. The cuts are directed to different segments. One individual doesn't sustain the entire $400 plus cut.

Mr. REEHER. Yes, they do, Senator. If I might explain that. The thing that varies by individual is the failure to inflate the family contribution for the change in inflation. The Pell grant cuts, the other two Pell grant cuts are flat across for everybody, $50 last year, another $80 this year, so every student is down $130. In the State grant program we cut everyone 10.2 percent across the board. As of August 23 every student that borrows $2,500 has a flat 5-percent offset for an origination fee against their loan. They are all down $405. In addition to that, our average tuition fees, room and board increase which varies by individual, but on the average is up $500. So relatively speaking, they are in a position short $905 compared to last year and that when it all comes together could result in dropouts. Probably not the first semester. Maybe the second semester. Next year no one knows what's going to happen. We ran in the first 8 days of this fiscal year, we ran $307 million worth of loans.

Senator SPECTER. I'll tell you what I'd like you gentlemen to do. I would like you to stay in touch with us. That is the critical question. What is it going to cost us in terms of dropouts? We are making speculative judgments, to term it politely, on trying to allocate an enor-

mously complicated budget where we juggle $695 billion on appropriations and, obviously, this is one facet. The process is incredibly complex as we sit in subcommittee and go through computer print after computer print and try to figure out where to come out with the reductions. It's a very complex judgmental game. Well, process. We will strike the word "game."

The really critical question we have on this line is we are all products of the education system. None of us would be where we are without it. What we do not want to do is cause dropouts and we are trying to put a strain on everybody along the way to have everybody exercise the maximum amount of individuality possible so we don't have to cut food stamps anymore, so we don't have to cut fuel assistance anymore.

We would appreciate your continuing inputs because, again, it is not cast in concrete. About the only thing cast in concrete is our fleeing day, which is now into the afternoon.

Gentlemen, we thank you very much and we will move now to panel 4.

COMMONWEALTH ASSOCIATION OF STUDENTS

STATEMENT OF MS. SANDY JOHNSON

PREPARED STATEMENT

Senator SPECTER. Mr. Ambrosino, we thought we would call you up because it would just facilitate the panel. Just sit with us as we proceed here.

Miss Johnson, would you summarize your testimony for us, please?

[The statement follows:]

PREPARED STATEMENT OF THE COMMONWEALTH ASSOCIATION OF STUDENTS

August 17, 1981

INTRODUCTION

The Commonwealth Association of Students (CAS), which represents students attending the fourteen state colleges in Pennsylvania, has long been an advocate of equal access to post-secondary education. The 1981-82 federal and Pennsylvania state budgets severely limit this access by making significant cuts in student financial aid and other higher education programs. All of our members will be affected in varying degrees because of these changes. Many students will be forced to limit or drop out of their studies due to their lack of funding.

Like most college students in Pennsylvania, I would be unable to continue in my college education were it not for the Guaranteed Student Loan Program and other federal and state grants. As president of CAS, I am compelled to represent the concerns of the individuals pursuing a post-secondary education within the state college system and I intend to actively address their rights as voting citizens to a low-cost accessible education.

PROBLEMS

Unfortunately, the measures set forth on the federal and state levels are making our educational goals very difficult to attain.

On the national scene, the $12 million budget reduction in higher education programs has placed a limit on the number of PELL grants and National Direct Student Loans to be disbursed, establishing additional needs criteria and/or spending ceilings. Perhaps the most detrimental blows have been dealt to the Guaranteed Student Loan Program.

Established in 1966, this program was created to provide low-interest rate loans to college students to supplement other aid and family contributions. The Guarantee Student Loan (GSL) amended to the program in 1978, allowed all students to borrow under the program, despite family annual income. This move enabled students from middle income families to participate. The final federal budget, signed into law August 13, 1981 will most likely eliminate at least one-third of the students now borrowing under this program if the current needs analysis for other federal financial aid programs is incorporated. We recognize the necessity of some screening procedures but feel the current methods of determining eligibility discriminatory against a larger number of its previous participants- the middle class. Not only is the needs analysis for all students whose parents divided incomes exceed $30,000 being implemented, but those individuals deemed needy enough to borrow under the program will subject to monetary "penalties". The "penalties" include the elimination of the "Independent" borrowing status for the undergraduate student.

Non-traditional students without parental support will be unable to borrow the additional $500 allocated in the 1980-81 federal budget. With an impending recession, these individuals will suffer multiple financial hardships for returning to school to become more productive educated members of our society.

Additionally, lenders will be required to collect a 5% origination fee which will act as part of the interest reimbursement the government pays to the lender while the student is in school. However, this fee will not be tax-deductible as it will be assessed on the face value of the loan amount rather than accrued. This amount is in addition to the 1% guarantee fee already collected by the lending agency to insure and process the loan. On a $2500 loan acquired by a first year undergraduate student,

$125 deducted as a guarantee fee (based on a four year course of study). The loan amount actually received would be $2250 although the student would still be required to pay back the face loan amount of $2500 plus 9% interest upon graduation. The grace period allowed by the agreement was already reduced under last year's budget measures from 12 months to 6 months. Now the program will require larger payments per month after this shorter job establishment periods. New graduates entering the already depressed job market would be required to make at least $50 per month payments on a $2500 loan in addition to their settlement costs(rent, transportation, groceries).

The cry for more state and local control of education and other traditional federally funded and regulated programs have become familiar in recent times. This concept does not take into account the state limitations in funding and controlling these programs. Separate but equally as devasting as the federal educational budget cuts, the 1981-82 Pennsylvania educational budget augments the frustrations and fears of students attending state colleges in Pennsylvania.

Although Governor Thornburgh indicated in his budget press statements, that appropriations for higher education will be increased 5.5% over last year's budget, this figure does not reflect the current inflation rate which will mandate these "revenues" be expended on salary increases, and repair and maintenance costs of the campuses. In addition, retrenchment measures, service cuts, and selective program elimination and cutbacks illustrate the state government's inability to subsidize federal revenue losses.

With regard to student financial aid programs, Pennsylvania has joined the federal government in its "cutback" efforts. The Pennsylvania Higher Education Assistance Agency (PHEAA) Grant program has been forced to reduce the amount of students already selected to receive grant awards by 8% the first semester of the fiscal year, with and additional 4.4% reduction in award money for the second term. This cut totals an overall decrease per recipient of 10.2% this year alone.

Not only are federal and state financial aid benefits being significantly reduced, but the tuition for state college students in Pennsylvania is skyrocketing. Higher education costs in Pennsylvania have soared in the past two fiscal years increasing 32%. In dollars and cents, tuition fees have increased $300 from 1979-1981.

State college tuition costs for Pennsylvania are highest in the nation--$1250 per year, even in comparison with the 40% increase in Washington State's college system their annual tuition is only $867.

SOLUTION

The Commonwealth Association of Students(CAS) strongly recommends strengthening and restructing existing federal assistance programs for Public Higher Education. Two programs, the Reauthorization of Higher Education (1980) and the Middle Income Student Assistance Act (1979) raised the maximum grant monies allowable by law. They also remove loan caps and middle income analysis. The programs help students without penalizing middle income families. With programs of this nature already in existence we would be foolish not to utilze them.

Modifications can be made, however, to strengthen such programs. A new needs analysis system must be implemented to review needs. We advocate a central office process such as PHEAA, because of its cost effectiveness. PHEAA also includes an appeals board and we encourage its use to review financial aid for students. Through PHEAA and financial aid offices on campuses, students should become informed of financial options that exist. Incorporated within central office concept, we suggest that any income ceiling imposed includ family size, number of dependents in school and other pertinent factors. These stipulations are not being fully considered now. They must be taken in consideration however, if the system is to be effective.

CAS strongly disagrees with any tuition tax credit system. A system of this nature does not target low income students, but rather concentrates on upper income families without sufficient tax liability. Consequently, students who do not have a larger tax return cannot obtain money for higher education. Also many part-time students would be ineligible for loans under a tax credit system, because the system only considers full time matriculated students when allocating funds.

According to Jerold Roschwalb of the National Association of State Universities and Land Grant Colleges, the cost of a tuition tax credit program would be between $1-4 billion per year. This sum could be far better spent on increased funding for BEOG and other federal aid programs.

In short, CAS supports federal assistance to gain wide access to higher education. Current programs can be targeted to the most needy students.

Therefore we support the evaluation of the existing programs to eventually educate and motivate the United States population. With these measures we democratize education and improve the standards of the United States population. One of the aims of the American Society is to improve the standards of our country and it's people. What better way to make such improvements than education of our citizens?

EQUAL ACCESS TO POSTSECONDARY EDUCATION

Ms. JOHNSON. The Commonwealth Association of Students, which represents students attending the 14 State-owned colleges——

Senator SPECTER. You are going to have to speak up a little bit.

Ms. JOHNSON. The Commonwealth Association of Students, which represents students attending the 14 State-owned colleges in Pennsylvania, has long been an advocate to equal access to postsecondary education. The 1981–82 Federal and Pennsylvania State budgets severely limit the access by making significant cuts in student financial aid and other higher education programs. All of our members will be affected in varying degrees because of these changes. Many students will be forced to limit or drop out of their studies due to lack of funding.

Senator SPECTER. What makes you say that? Why do you think that many students will forced to drop out?

Ms. JOHNSON. For one, I'm a student that gets financial aid and, like was said, it was cut drastically.

Also, I've got a national direct student loan and I'm a middle-income student but the lower-income students that are going to try to make these payments on their own out of their family's pockets can't do it.

Senator SPECTER. Are you going to stay in?

Ms. JOHNSON. I'm going to try. This is my senior year.

Senator SPECTER. Where do you go to school?

Ms. JOHNSON. California State College.

Senator SPECTER. Proceed, please.

Ms. JOHNSON. As president of CAS, I am compelled to represent the concerns of the individuals pursuing a postsecondary education within the State college system and I intend——

Senator SPECTER. I can't hear you, Miss Johnson.

Ms. JOHNSON. As president of CAS, I am compelled to represent the concerns of the individuals pursuing a postsecondary education within the State college system and I intend to actively address their rights as voting citizens to a low-cost, accessible education.

Unfortunately, the measures set forth on the Federal and State levels are making our educational goals very difficult to attain. The final Federal budget signed into law August 13, 1981, will most likely eliminate at least one-third of the students now borrowing under this program, if the current needs analysis for other Federal financial aid programs is incorporated.

We recognize the necessity of some screening procedures but feel the current methods of determining eligibility is discriminatory against a larger number of its previous participants, the middle class.

The cry for more State and local control of education and other traditionally federally funded and regulated programs has become familiar in recent times. This concept does not take into account the State limitations in funding and controlling these programs.

Separate but equally as devastating as the federal educational budget cuts, the 1981–82 Pennsylvania educational budget augments the frustrations and fears of students attending State colleges in Pennsylvania. Not only are Federal and State financial aid benefits being significantly reduced, but the tuition for State college students in Pennsylvania is skyrocketing. Higher education costs have soared in the past 2 fiscal years. From 1979 to 1981 tuition has increased $300. The current budget calls for an additional $1 From 1979 to 1981 tuition has increased $300. The current budget calls for an additional $150 per year tuition increase. State college tuition costs are the highest in the Nation. Even with a 40-percent increase in Washington State's college system, their annual tuition is only $867 per year as opposed to Pennsylvania's, which is between $2,900 and $1,250 per year.

Senator SPECTER. Thank you very much, Miss Johnson. I am very concerned about your estimate that one-third of students are going to drop out. That was what you said, isn't it? You seemed to raise your voice at that point. That I heard. I would like to stay in touch with you on that subject to see what the experience is.

I'm glad to hear that you are going to stay in. We do not want students to drop out. We certainly do not want to see a discriminatory impact on the middle class, as you characterize it, and I gather the import of your words, but we want you to help us monitor the situation, if you would, please.

Where is Mr. Temen?

Ms. BEMBERY. Mr. Temen is not available. I don't know where he is.

Senator SPECTER. We may have to exercise compulsory process to bring Mr. Temen in. He is a longstanding friend of mine, former neighbor, and I expected him to be here. Tell him of my disappointment.

Ms. BEMBERY. I'm sure if he could have arranged his schedule to be here, he would have.

CITIZENS COMMITTEE ON PUBLIC EDUCATION IN PHILADELPHIA (CCPEP)

STATEMENT OF MS. SHARON BEMBERY, TREASURER

PREPARED STATEMENT

Senator SPECTER. I'm sure he would have. Ms. Bembery, we will insert your prepared statement in the record at this point.

[The statement follows:]

PREPARED STATEMENT OF THE CITIZENS COMMITTEE ON PUBLIC EDUCATION IN PHILADELPHIA

Senator Specter, members of the Appropriations Subcommittee on Labor, Health and Human Services and Education: Citizens Committee on Public Education in Philadelphia (CCPEP) appreciates this opportunity to testify on various aspects of Federal educational programs.

The areas which you have asked be addressed are specific ones; we shall try to so respond. Before beginning, however, we must take cognizance of the damands on and limitations of resources in an older city with the demography of Philadelphia. It is not only that this city has experienced a serious loss of jobs in the last decade, a diminishing supply of decent housing and a shrinking tax base, we are also faced with cutbacks in Federal programs other than those in education—jobs, health, social services—which will intensify a difficult economic situation. We have not as yet felt the impact of these cutbacks, but anticipate that there will be increased demands on our decreasing funds. It is against that background that we turn to examine Federal support of programs in public education in Philadelphia and the fiscal picture of our schools.

Philadelphia's public school system has been running out of money for the last several years. At this writing, we are faced with not opening schools because of a projected deficit of over $200 million. Regardless of the outcome of this year's crisis. several conclusions can inevitably be drawn. First and foremost, cities like Philadelphia with municipal overburdens cannot raise the funds necessary to provide a decent public education for their children. Second, reliance on property taxes as the base from which such funds are raised is inadequate, regressive in nature and in many ways counterproductive to the city's economic viability. Third, the State must be encouraged to accept its constitutional responsibility to provide a thorough education for the children of the Commonwealth. Fourth, the responsibility for providing funds for the appropraite education for disadvantaged and/or handicapped children must be undertaken by the Federal and State governments, and finally, the Nation's children as well as those of Philadelphia must look to the Federal Government to support and assure their opportunity for a full and adequate education.

We are saying, then, that the Federal Government should increase its contribution to general educational programs—to those programs aimed at diminishing difficult behaviors and attitudes, and to those special categorical programs which have been judged successful in providing for these children who present discrete educational problems. Additionally, we urge that the Federal Government continue to expand its specific support to attempts at assuring educational equity for minority children and those for whom English is not their primary language.

Before touching on these programs we wish to express our appreciation that title I funds and special education funds were removed from the general education block grant. This separation is a needed step in providing for the needs of many of this city's children.

We now turn to early educational programs. These preschool programs, largely supported by the Federal Government, have been evaluated extensively since their inception has been achieved and sustained by these children who were the beneficiaries of programs like Head Start and Get Set. Additionally, such programs have been found to reduce the delinquency rate, shorten the time necessary for special education programs, improve chances for higher education and job success. The changing picture of the work force with the increased number of working mothers with children under 6, argues again for the support and experience of such early childhood programs.

Special education.—The number of children who have benefitted by act 94-142 is larger tha originally anticipated. In Pennsylvania, these services for children began before the passage of the act as an outgrowth of a court decision. Our public schools have been faced with new and different tasks, ones which have been successful as, indeed, they have been expensive. However, we have not been able to serve all the children who need such services. Furthermore, we are currently in a dispute with the State as to approximately $80 million expended for special education over the last 2 years. We are gratified that Congress kept specialized money out of the block grant and that the amount of the support was not much less than it has been in the past. But even in an era of belt-tightening, even at a time of conservation of fiscal resources, we cannot legally or ethically tell some of these children we do not have funds to edu-

cate them this year. We ask your support for them as a priority, as a time-honored and traditional role for the Federal Government in protecting those least able to protect themselves.

Title I programs present a different problem than those mentioned above. We were pleased that funds for these programs wer taken out of the block grant. We are concerned, however, that much of title I's impact may have been undermined in the process. Our specific fears that the criteria of economically disadvantaged and the public participation aspect have now apparently been removed and only the educational disadvantage remains. Title I's mission to provide extra help for economically and educationally disadvantaged youth has been intensely evaluated; the program has been considered successful by most evaluators including the Secretary of Education.

It seems unwise to us to drop the economic criteria which educators and sociologists have long recognized as correlated and educational development. Further, it seems absurd to change drastically a program that so many have judged successful. The congressional targetting of the population served, together with the requirement of public/parent participation allowed national, State and local accountability for the expenditure of these funds.

We would urge that Congress continue to target for tile I those students who present both educational and economic disadvantage. We further urge that funding programs for tide I be a priority for the Federal Government.

You have asked us whether other governments, State or local, can take up the financial burden of many educational programs. It should be clear that it is our position that many of the cities of this Nation cannot do more than they are doing and remain viable. We cannot answer for the State except that the likelihood is not good that the States can do much more in this field in the immediate future than they have in the past. The reasons for this conclusion are that the States are faced with many Federal cutbacks in noneducational areas which will result in an increased demand on their dollars; that the States, particularly those not in the Sun Belt, have been unsuccessful in keeping their industries; and that the States are confronted with many of the same inflationary costs and economic realities as the local governments.

In conclusion, then, we ask your support (1) for increasing Federal aid to education generally; (2) for full funding of special education needs; (3) for expanding preschool programs; (4) for expanding the funding and returning the targetting of title I specifically as priorities. Additionally, we ask that the Federal government continue its historic role in protecting the least advantaged among us by providing support for desegregation and bilingual programs.

Thank you.

PRESCHOOL PROGRAMS

Ms. BEMBERY. I am Sharon Bembery, treasurer of the Citizens Committee for Public Education in Philadelphia. In our written testimony we have delineated the bleak economic framework in which the Philadelphia public schools exist.

In the brief time we have today we wish to focus on three particular programs, the early childhood education program, special education and the title I programs in our reply to the committee's third question which was what changes in funding priorities would you recommend considered by our subcommittee to improve the starting and efficiency of Federal programs.

Senator SPECTER. I notice Mr. Temen's testimony saying the funds simply weren't available at the State or local level and looking solely to the Federal Government and I'm interested in your response to the third question as to which priority you would look to specifically.

Ms. BEMBERY. If I may suggest that this is the citizens committee's testimony and not Mr. Temen's and I'd like to proceed.

Senator SPECTER. All right. I accept that modification, if Mr. Temen will.

Ms. BEMBERY. I'm sure he will. These preschool programs largely supported by the Federal Government have been evaluated extensively since their inception a decade and a half a go. The research has shown that measurable academic improvement has been achieved and sustained by these children who were the beneficiaries of programs like Head Start and get set.

Additionally, such programs have been found to reduce the delinquency rate, shorten the time necessary for special education programs, improve chances for higher education and job success.

The changing picture of the work force with the increased number of working mothers with children under 6 argues again for the support and experience of such early childhood programs.

SPECIAL EDUCATION AREA

In the special education area the number of children who have benefited by act 94–142 is larger than originally anticipated. Pennsylvania services for children began before the passage of the act as an outgrowth of the court decision. Our public schools have been faced with new and different tasks. Ones which have been successful, indeed, have been expensive. However, we have not been able to serve all the children who need such services.

Furthermore, we are currently in a dispute with the State as to approximately $80 million expended for special education over the last 2 years. We are gratified that Congress kept specialized money out of the block grant and that the amount of the support was not much less than it has been in the past.

But even in an era of belt tightening, even at a time of conservation of fiscal resources, we cannot legally or ethically tell some of these children we do not have funds to educate them this year. We ask your support for them as a priority, as a time honored and traditional role for the Federal Government in protecting those least able to protect themselves.

Title I programs present different problems than those already mentioned. We were pleased that funds for these programs were taken out of the block grant. We are concerned, however, that much of title I's impact may have been undermined in the process. Our specific fears are that the criteria of economically disadvantaged and the public participation aspect have now apparently been removed and only the educational disadvantage remains.

Title I's mission to provide extra help for economically and educationally disadvantaged youth has been intensely evaluated. The program has been considered successful by most evaluators, including the Secretary of Education. It seems unwise to us to drop the economic criteria which educators and sociologists have long recognized as correlated to educational development.

Further, it seems absurd to change drastically a program that so many have judged successful. The congressional targeting of the popula-

tion served together with the requirement of public parent participation allowed national, State and local accountability for the expenditure of these funds.

We urge that Congress continue to target for target I those students who present both educational and economic disadvantage. We further urge that funding programs for title I be a priority for the Federal Government.

Thank you.

Senator SPECTER. Thank you very much.

DEPARTMENT OF EDUCATION

STATEMENT OF JOSEPH P. AMBROSINO, JR., REGIONAL REPRESENTATIVE, U.S. DEPARTMENT OF EDUCATION IN PHILADELPHIA

PREPARED STATEMENT

Senator SPECTER. Mr. Ambrosino, we will place your prepared statement in the record at this point after which you may proceed.

[The statement follows:]

PREPARED STATEMENT OF JOSEPH P. AMBROSINO, JR.
SECRETARY'S REGIONAL REPRESENTATIVE, REGION 3

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, IT IS A PLEASURE FOR ME TO APPEAR BEFORE YOU TODAY REPRESENTING EDUCATION SECRETARY TERREL H. BELL.

ACCOMPANYING ME ARE DR. ROBERT SMALLWOOD, WHO SERVED AS ACTING SECRETARY'S REGIONAL REPRESENTATIVE UNTIL MY APPOINTMENT, AND GEORGE ARCHIBALD, DEPUTY ASSISTANT SECRETARY FOR LEGISLATION IN WASHINGTON.

THIS IS MY FIRST DAY AND FIRST OFFICIAL DUTY AS REGIONAL REPRESENTATIVE FOR THE U.S. DEPARTMENT OF EDUCATION IN PHILADELPHIA. I CAN THINK OF NO MORE APPROPRIATE BEGINNING OF MY SERVICE IN THE REGION THAN THIS OPPORTUNITY TO REPORT TO YOUR SUBCOMMITTEE, AND TO THE PEOPLE WE SERVE, ON IMPLEMENTATION OF CONGRESSIONAL ACTION ON PRESIDENT REAGAN'S INITIAL EDUCATION PROGRAM REVISIONS.

THE SUBCOMMITTEE'S LETTER CONFIRMING THIS HEARING STATED THAT YOU WISHED TO FOCUS ON FEDERAL FUNDING OF EDUCATION PROGRAMS. SPECIFICALLY, YOU ASKED THREE QUESTIONS:

- WHAT ADJUSTMENTS IN YOUR ACTIVITIES ARE REQUIRED AS THE RESULT OF CHANGES INCLUDED IN THE FEDERAL BUDGET AS MODIFIED BY THE RECENTLY APPROVED FISCAL 1982 BUDGET RECONCILIATION PROVISIONS?
- WHAT IS THE CAPABILITY OF STATE AND LOCAL GOVERNMENT ENTITIES TO ASSUME A GREATER SHARE OF THE COST AND ADMINISTRATION OF FEDERAL PROGRAMS OF CONCERN TO YOU?
- WHAT CHANGES IN FUNDING PRIORITIES WOULD YOU RECOMMEND BE CONSIDERED BY OUR SUBCOMMITTEE TO IMPROVE THE TARGETING AND EFFICIENCY OF FEDERAL PROGRAMS?

MR. CHAIRMAN, I WILL PROVIDE THE BEST OVERVIEW THAT IS POSSIBLE AT THIS TIME IN RESPONSE TO THESE QUESTIONS. DEFINITIVE ANSWERS CONCERNING THE FY 1982 FUNDS THAT PENNSYLVANIA AND OTHER STATES CAN EXPECT TO RECEIVE UNDER VARIOUS PROGRAMS MUST AWAIT FINAL ACTION ON APPROPRIATIONS BY THE CONGRESS.

WHATEVER THE FINAL OUTCOME OF THE 1982 APPROPRIATIONS PROCESS, UNDER PRESIDENT REAGAN'S REVISED BUDGET ANNOUNCED LAST MARCH THE PEOPLE OF PENNSYLVANIA CAN BE CONFIDENT OF RECEIVING THEIR SHARE OF AN EQUITABLE AMOUNT OF FEDERAL SUPPORT FOR EDUCATION PROGRAMS.

THE COMMONWEALTH OF PENNSYLVANIA HAS RECEIVED APPROXIMATELY

4 PERCENT TO 4-1/2 PERCENT OF FUNDS AVAILABLE NATIONWIDE FOR DEPARTMENT OF EDUCATION PROGRAMS OVER THE PAST SEVERAL YEARS.

IN FY1980, THE LATEST YEAR FOR WHICH COMPLETE FIGURES ARE AVAILABLE, PENNSYLVANIA RECEIVED $643.5 MILLION IN FEDERAL ASSISTANCE FOR EDUCATION PROGRAMS ADMINISTERED BY THE DEPARTMENT.

THIS INCLUDED SUPPORT FOR LOW-INCOME SCHOOL DISTRICTS UNDER TITLE I OF THE ELEMENTARY AND SECONDARY EDUCATION ACT, VARIOUS OTHER CATEGORICAL PROGRAMS TO SUPPORT ELEMENTARY AND SECONDARY EDUCATION, STUDENT FINANCIAL ASSISTANCE AND OTHER SUPPORT FOR HIGHER EDUCATION, AS SIGNIFICANT EXAMPLES.

NEWS REPORTS CONCERNING THE PRESIDENT'S BUDGET REVISIONS HAVE GIVEN THE ERRONEOUS PUBLIC IMPRESSION THAT VAST ACROSS THE BOARD REDUCTIONS IN SUPPORT OF EDUCATION ARE FORTHCOMING. THESE REPORTS ARE MISLEADING, AND I WELCOME THIS OPPORTUNITY TO HELP SET THE RECORD STRAIGHT.

IN FY 1982, UNDER THE PRESIDENT'S PROPOSED MARCH BUDGET, THE AGGREGATE LEVEL OF FEDERAL SUPPORT FOR EDUCATION PROGRAMS IN PENNSYLVANIA WILL ONLY BE SLIGHTLY DECREASED BELOW THE OVERALL LEVELS OF THE PAST SEVERAL YEARS. HOWEVER, THERE WILL BE SOME INCREASES AND SOME DECREASES IN SPECIFIC INDIVIDUAL PROGRAMS.

THE PRESIDENT'S OVERALL FY 1982 BUDGET REQUEST FOR OUR DEPARTMENT, IN MARCH WAS ONLY 12.5 PERCENT BELOW THE 1981 APPROPRIATION FROM CONGRESS. ELEMENTARY AND SECONDARY PROGRAMS INCLUDED IN THE BLOCK GRANT AND POST SECONDARY STUDENT FINANCIAL ASSISTANCE, AS TWO SPECIFIC EXAMPLES, WILL BE FUNDED AT HIGHER LEVELS THAN THE ESTIMATED FY 1981 AMOUNTS, UNDER THE PRESIDENT'S MARCH BUDGET.

CONSIDERING THE FACT THAT FEDERAL SPENDING FOR EDUCATION HAS MORE THAN DOUBLED SINCE 1974, AND THAT IT HAS INCREASED MORE THAN TWENTY PERCENT JUST SINCE 1979, THIS EFFORT BY THE PRESIDENT TO ACHIEVE SOME FISCAL RESTRAINT IS LONG OVERDUE. THE SUPPORT OF YOUR SUBCOMMITTEE IN THIS REGARD WILL BE MOST WELCOME.

YOU HAVE ASKED ME TO EXPLAIN WHAT ADJUSTMENTS IN THE ACTIVITIES OF MY REGION III OFFICE WILL BE REQUIRED AS THE RESULT OF ENACTMENT OF THE OMNIBUS RECONCILIATION ACT OF 1981.

WE ANTICIPATE FEW, IF ANY, CHANGES IN THE TYPES OF SERVICES WE RENDER. WE WILL CONTINUE TO PROVIDE ASSISTANCE TO COLLEGE STUDENTS THROUGH OUR STUDENT FINANCIAL AID ACTIVITIES. REHABILITATION SERVICES WILL CONTINUE UNCHANGED. THE OFFICE WILL ALSO CONTINUE TO MONITOR

AND HELP ENFORCE COMPLIANCE WITH FEDERAL CIVIL RIGHTS LAWS GOVERNING EDUCATION PROGRAMS.

THE BUDGET RECONCILIATION LEGISLATION SIMPLIFIED THE CURRENT TITLE I PROGRAM FOR LOW-INCOME SCHOOL DISTRICTS, AND CONSOLIDATED MORE THAN TWENTY-FIVE CATEGORICAL AID PROGRAMS FOR ELEMENTARY AND SECONDARY SCHOOLS IN ORDER TO PROVIDE BLOCK GRANT FUNDS DIRECTLY TO THE STATES FOR DISTRIBUTION TO LOCAL EDUCATION AGENCIES.

ADMINISTRATIVE IMPLEMENTATION OF THE BLOCK GRANT PROGRAM, AS WELL AS OTHER NATIONAL EDUCATION PROGRAMS, WILL BE COORDINATED BY THE DEPARTMENT'S STAFF IN WASHINGTON. HOWEVER, OUR REGIONAL OFFICE STANDS READY TO WORK WITH STATE AND LOCAL EDUCATION OFFICIALS AT THEIR REQUEST TO ADJUST TO THE NEW BLOCK GRANT PROGRAM AND TO RESOLVE ISSUES WHICH MAY EMMERGE AS THE STATES ASSUME FULL RESPONSIBILITY FOR BLOCK GRANT FUNDS. WE ARE ALSO PREPARED TO ASSIST POST SECONDARY COLLEGE AND LENDING INSTITUTIONS TO HELP STUDENTS AND THEIR FAMILIES WITH RESPECT TO STATUTORY CHANGES IN ELIGIBILITY FOR STUDENT FINANCIAL ASSISTANCE, AND OTHER PROCEDURES ASSOCIATED WITH THESE PROGRAMS.

YOU ASKED ME TO ADDRESS THE CAPABILITY OF STATE AND LOCAL GOVERNMENT ENTITIES TO ASSUME A GREATER SHARE OF THE COST AND ADMINISTRATION OF FEDERAL EDUCATION PROGRAMS.

LET ME SAY HERE THAT ONE OF THE BIGGEST COMPLAINTS I HEAR FROM STATE AND LOCAL EDUCATION PEOPLE REGARDING FEDERAL EDUCATION PROGRAMS IS THE ADDITIONAL COST AND WORK IMPOSED BY WASHINGTON IN ORDER TO COMPLY WITH THE MYRIAD OF REQUIREMENTS AND REGULATIONS ASSOCIATED WITH THESE PROGRAMS.

PRESIDENT REAGAN'S PROPOSED CONSOLIDATION OF ELEMENTARY AND SECONDARY EDUCATION PROGRAMS AND BLOCK GRANTING OF THESE FUNDS TO THE STATES IS DESIGNED TO HELP SOLVE THIS PROBLEM BY ALLOWING THE STATE AND LOCAL EDUCATION AGENCIES TO USE THIS MONEY FOR THE ACTIVITIES AUTHORIZED UNDER THE ANTICEDENT PROGRAMS AS THEY SEE FIT, WITHOUT ALL THE ACCOMPANYING RED TAPE AND HARRASSMENT FROM WASHINGTON.

INDEED, SECRETARY BELL WAS THE FIRST MEMBER OF THE CABINET TO ANNOUNCE THE ELIMINATION OF 30 SETS OF BURDENSOME AND UNNECESSARY REGULATIONS ASSOCIATED WITH CONSOLIDATED EDUCATION PROGRAMS UNDER THE RECONCILIATION LEGISLATION, FOLLOWING ITS ENACTMENT.

THE REVOCATION OF THESE REGULATIONS ELIMINATES THE FLOW OF SOME 200,000 PAGES OF GRANT APPLICATIONS, 7,000 PAGES OF FINANCIAL REPORTS,

AND 20,000 PAGES OF PROGRAMMATIC REPORTS MOVING TO THE FEDERAL GOVERNMENT ANNUALLY.

THIS ACTION WILL SAVE SCHOOL OFFICIALS MANY MILLIONS OF DOLLARS AND MANHOURS THAT WERE PREVIOUSLY IMPOSED TO COMPLY WITH THIS PAPERWORK BURDEN. THOSE FUNDS AND THOSE MANHOURS CAN NOW BE DEVOTED TO INCREASING STATE AND LOCAL EFFORTS TO REINVIGORATE AND IMPROVE THE QUALITY OF THEIR OWN SCHOOL PROGRAMS.

I SHOULD NOTE THAT THE CONSOLIDATION OF ELEMENTARY AND SECONDARY EDUCATION PROGRAMS UNDER THE RECENT BUDGET RECONCILIATION LEGISLATION WILL BECOME EFFECTIVE NEXT JULY, AND FUNDS WILL BEGIN FLOWING TO THE STATES AND LOCALITIES UNDER THE BLOCK GRANT FOR THE 1981-83 SCHOOL YEAR.

THE RECONCILIATION STATUTE REQUIRES THE GOVERNOR OF EACH STATE TO FORM AN ADVISORY COMMITTEE TO HELP DETERMINE THE ALLOCATION OF BLOCK GRANT FUNDS, WHICH WILL BE DISTRIBUTED DIRECTLY TO STATE EDUCATIONAL AGENCIES. THE LAW ALSO REQUIRED THE ADVISORY COMMITTEE TO ASSIST WITH THE PLANNING, DEVELOPMENT, SUPPORT, IMPLEMENTATION, AND EVALUATION OF STATE PROGRAMS SUPPORTED BY THE BLOCK GRANTS. THE GOVERNOR'S ADVISORY COMMITTEE MUST INCLUDE PERSONS REPRESENTATIVE OF PUBLIC AND PRIVATE ELEMENTARY SCHOOL CHILDREN AND PARENTS, CLASSROOM TEACHERS, LOCAL BOARDS OF EDUCATION, LOCAL AND REGIONAL SCHOOL ADMINISTRATORS INCLUDING PRINCIPALS AND SUPERINTENDENTS, INSTITUTIONS OF HIGHER EDUCATION, AND THE STATE LEGISLATURE.

THE STATE EDUCATION AGENCIES WILL BE REQUIRED TO DISTRIBUTE AT LEAST 80 PERCENT OF THEIR BLOCK GRANT ALLOCATION TO LOCAL EDUCATIONAL AGENCIES WITHIN THE STATE ACCORDING TO THE RELATIVE ENROLLMENTS IN PUBLIC AND PRIVATE SCHOOLS WITHIN THEIR RESPECTIVE SCHOOL DISTRICTS, ADJUSTED ACCORDING TO CRITERIA APPROVED BY THE SECRETARY.

THE REMAINING TWENTY PERCENT OF THE BLOCK GRANT FUNDS MAY BE DISTRIBUTED AT THE DISCRETION OF THE STATE. ADDITIONAL FUNDS MAY BE AVAILABLE TO THE STATES FROM THE SECRETARY OF EDUCATION'S DISCRETIONARY FUND, AMOUNTING TO NOT MORE THAN SIX PERCENT OF THE NATIONAL BLOCK GRANT TOTAL, FOR SUPPORT OF ANY OF THE BLOCK GRANT'S GENERAL PURPOSES - - BASIC SKILLS DEVELOPMENT, EDUCATIONAL IMPROVEMENT AND SUPPORT SERVICES INCLUDING TEACHER CORPS AND TEACHER CENTERS PROGRAMS FROM THE HIGHER EDUCATION ACT, AND SPECIAL PROJECTS.

OBVIOUSLY THE CAPABILITY OF STATE AND LOCAL ENTITIES TO ASSUME A GREATER OR REDUCED BURDEN IN THE EDUCATION AREA IS A MATTER OF

STATE AND LOCAL CONCERN. IT IS THE REAGAN ADMINISTRATION'S FIRM POLICY THAT THE FEDERAL GOVERNMENT SHOULD NOT MAKE OR ENGINEER THESE DECISIONS THROUGH UNWARRANTED REGULATION OR MONIED PERSUASION.

THE BLOCK GRANT CONSOLIDATION OF ELEMENTARY AND SECONDARY PROGRAMS JUST APPROVED BY CONGRESS IS, WE HOPE, JUST THE BEGINNING OF OUR JOINT EFFORT WITH THE CONGRESS TO REDUCE FEDERAL CONTROL OVER EDUCATION NATIONWIDE.

PRESIDENT REAGAN'S COMMITMENT TO FULLY REVIEW AND REORGANIZE THE FEDERAL ROLE IN EDUCATION IS BEING IMPLEMENTED, AND SECRETARY BELL'S CREATION LAST WEEK OF A NATIONAL COMMISSION ON EXCELLENCE IN EDUCATION IS AN IMPORTANT PART OF THAT EFFORT.

IT IS OUR INTENT TO CONTINUE WORKING CLOSELY WITH STATE AND LOCAL OFFICIALS AS POSSIBLE WHEN THEY REQUEST OUR SERVICES TO HELP THEM IMPROVE EDUCATION AT EVERY LEVEL. BUT WE INTEND TO PROVIDE THESE SERVICES WITHOUT TELLING THEM WHAT PROGRAMS THEY MUST HAVE, AND HOW THEY MUST BE RUN, CONSISTENT WITH FEDERAL LAWS PASSED BY CONGRESS.

FINALLY, YOU ASKED ME WHAT CHANGES IN FUNDING PRIORITIES I WOULD RECOMMEND YOUR SUBCOMMITTEE TO CONSIDER TO IMPROVE THE TARGETING AND EFFICIENCY OF FEDERAL PROGRAMS.

IT WOULD BE INAPPROPRIATE FOR ME TO ADDRESS THIS IMPORTANT QUESTION ON MY FIRST DAY AS REGIONAL REPRESENTATIVE IN THE U.S. DEPARTMENT OF EDUCATION. HOWEVER, LET ME ASSURE YOU THAT MY EIGHT YEARS OF SERVICE AS A STATE REPRESENTATIVE FROM DELAWARE, INCLUDING SERVICE ON THE APPROPRIATIONS COMMITTEE, AND MY YEARS AS AN ADMINISTRATOR OF EDUCATION PROGRAMS AT THE STATE AND LOCAL LEVEL, HAVE PROVIDED ME WITH A HIGHLY USEFUL PERSPECTIVE ON THIS ISSUE.

I WILL BE WORKING CLOSELY WITH EDUCATORS, GOVERNMENT OFFICIALS, AND CONCERNED CITIZENS THROUGHOUT REGION III, AND WITH MY COLLEAGUES IN THE DEPARTMENT OF EDUCATION, TO HELP ANSWER THIS QUESTION IN SPECIFIC TERMS AT SOME FUTURE TIME.

IN GENERAL TERMS, HOWEVER, I WOULD ENCOURAGE YOUR SUBCOMMITTEE AND THE ENTIRE CONGRESS TO TAKE SPECIAL EFFORTS TO ENACT MORE OF PRESIDENT REAGAN'S PROPOSALS TO IMPROVE FEDERAL EDUCATION ASSISTANCE.

LET ME CONCLUDE BY EXTENDING MY SINCERE APPRECIATION TO YOU, CHAIRMAN SPECTER, AND TO THIS SUBCOMMITTEE FOR THE OPPORTUNITY TO PARTICIPATE IN YOUR HEARING. I BELIEVE THAT A REGIONAL CONGRESSIONAL HEARING SUCH AS THIS IS HIGHLY VALUABLE TO THE PUBLIC WHO WE SERVE.

I LOOK FORWARD TO WORKING WITH THE PEOPLE OF THE FIVE STATES

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AND THE DISTRICT OF COLUMBIA WHO ARE SERVED BY OUR REGION III OFFICE, AS WELL AS WITH MEMBERS OF THEIR CONGRESSIONAL DELEGATIONS, IN ORDER TO BENEFIT STATE AND LOCAL EDUCATIONAL EFFORTS.

WE STAND READY TO RESPOND TO YOUR QUESTIONS.

Biography of Joseph P. Ambrosino, Jr.

Joseph P. Ambrosino, Jr., 48, supervisor of Federal-Special Programs for the New Castle County, Delaware, Vocational Technical School District and a former member of the Delaware House of Representatives, has been named by U.S. Secretary of Education T. H. Bell as his Regional Representative for Region III.

Region III, which has its headquarters in Philadelphia, covers Delaware Maryland, Pennsylvania, Virginia, West Virginia and the District of Columbia.

When Ambrosino was separated from the Army as a Second Lieutenant in 1956, he was signed by the N.Y. Yankees Baseball Organization; but in 1957 he became a teacher and baseball coach at Mount Pleasant High School, New Castle. He stopped coaching in 1972, but kept teaching through 1979.

He was elected to the Delaware House in 1972 and has been reelected four times. He served on the Joint Finance Committee, Aging, Appropriations and Administrative Services Committees.

Ambrosino developed and taught the first non-Western history course in the State of Delaware, developed and taught the first advance placement modern European history course in the State in 1962, developed and taught one of the first Western philosphy courses in the State, in 1965, and also a new method of teaching educable mentally retarded children, from 1965-70.

Ambrosino was graduated from Pennsylvania Military College (Widener) in 1956 with a bachelor's degree in political science. He received his master's degree in administration-counseling in 1960 from Villanova University, and participated in the Ph.D. program in urban affairs in 1973-74 at the University of Delaware. He also studied at Princeton University in 1962, participating in seminars for teaching advance placement courses, and at Drexel Institute, Philadelphia, in 1977 where he studied advance placement in modern European history.

Advance placement courses are college level courses taught in high schools to advanced students. Completion gives the high school student college credits before he enrolls in a college or university.

While at Widener College, Ambrosino won 12 varsity letters in football,

basketball and baseball. He was named to the Little All-American football team in 1954, honored by the National Collegiate Athletic Association (NCAA) District II as a baseball catcher in 1955-56, and was named to the All Middle-Atlantic Conference basketball team in 1955-56. He also received his college conference's most valuable player award in football in 1956, and was graduated with scholastic honors for "outstanding graduating cadet."

He is active in a variety of professional and community organizations.

Ambrosino and his wife, Lynne, make their home in Wilmington. They have four children: Joseph III, 21; Cynthia, 19; Lisa 18, and Jane, 11.

INTRODUCTION OF WITNESS

Senator SPECTER. Mr. Ambrosino, will you state your full name and title for the record, please?

Mr. AMBROSINO. Mr. Chairman, my name is Joseph P. Ambrosino, Jr. and I am the secretary of education's regional representative for region 3 here in Philadelphia.

Senator SPECTER. How long have you held the position?

Mr. AMBROSINO. As of 3 hours ago, sir. I was sworn in at 8:10 this morning.

Senator SPECTER. What took you so long to get here?

We would like to have just a little bit of your background on the record. It is a very distinguished background.

Mr. AMBROSINO. I don't know about being distinguished, Senator.

Senator SPECTER. That's for the committee to say, Mr. Ambrosino.

Mr. AMBROSINO. I'm 48 years old and that's why I have to switch glasses. The last 2 years I have been the troubleshooter on desegregation for the superintendent of the New Castle County Vocational School District. We are under a voluntary court order. Prior to that I spent 22 years in the classroom, teaching advanced placement college courses in modern European history and Western philosophy and also devising a special technique for the educable mentally retarded. So I went from one exteme to the other; back and forth.

Senator SPECTER. Do you have a record in public service?

Mr. AMBROSINO. I'm a former State legislator for the past 8 years in the Delaware Legislature. I don't know whether that is good or bad, but I thank my constituency, which is right outside Claymont, Del.

Senator SPECTER. Will you introduce the two gentlemen who are here with you?

Mr. AMBROSINO. I was going to do that in my testimony, sir.

Senator SPECTER. Proceed then.

Mr. AMBROSINO. To my far left is Dr. Robert Smallwood, who was the acting secretary's regional representative until I was appointed just recently.

To my immediate left is Mr. George H. Archibald, deputy assistant secretary for legislation in Washington. These two gentlemen consented to come with me to give me stability, information and encouragement,

Senator. Even though I have been in the political game for a number of years in Pennsylvania and in Delaware, in Delaware County, Pa., prior to my moving to Wilmington, Del., I'm a little nervous and new in my position and the responsibility I have, but the challenges will be met.

May I say this before I give formal testimony? I heard the testimony of every witness here and I was extremely interested in the testimony of the superintendent of public schools in Philadelphia, Dr. Marcase. I immediately bumped into Dr. Marcase out in the lobby and extended to him the services of the region 3 office. I can assure you, Senator, and members of your subcommittee, that the region 3 office will be at the disposal of any parent group, any educational group, the superintendents of my constituency, which includes the States of Virginia, West Virginia, Delaware, Maryland, and Pennsylvania, as well as the District of Columbia. I can also assure you we will do everything appropriate at the Federal level to help make sure that the youngsters, coming from kindergarten up to graduate level, have a quality form of education, sir. Any Congressman, State legislator, or local official, who wants to utilize our offices, we will be at their disposal. With that, I'd like to give formal testimony, and I beg your indulgence, Senator, because my full testimony deals with the three questions that were posed by Senator Schmitt in his letter requesting my participation in this hearing.

Senator SPECTER. Thank you very much.

Mr. AMBROSINO. Mr. Chairman, members of the subcommittee, it is a pleasure for me to appear before you today representing secretary of education, Terrel H. Bell.

Accompanying me are Dr. Robert Smallwood, who served as acting secretary's regional representative until my appointment, and George Archibald, deputy assistant secretary for the legislation in Washington.

This is my first day and first official duty as regional representative for the U.S. Department of Education in Philadelphia. I can think of no more appropriate beginning of my services in the region than this opportunity to report to your subcommittee, and to the people we serve, on implementation of congressional action on President Reagan's initial education program revisions.

QUESTIONS ON FEDERAL FUNDING

The subcommittee's letter confirming this hearing stated that you wished to focus on Federal funding of education programs. Specifically, you asked three questions:

One, what adjustments in your activities are required as the result of changes included in the Federal budget as modified by the recently approved fiscal 1982 budget reconciliation provisions?

Two, what is the capability of State and local government entities to assume a greater share of the cost and administration of Federal programs of concern to you?

Three, what changes in funding priorities would you recommend be considered by our subcommittee to improve the targeting and efficiency of Federal programs?

Mr. Chairman, I will provide the best overview that is possible at this time in response to these questions. Definitive answers concerning the fiscal year 1982 funds that Pennsylvania and other States can expect to receive under various programs must await final action on appropriations by the Congress.

Whatever the final outcome of the 1982 appropriations process, under President Reagan's revised budget announced last March the people of Pennsylvania can be confident of receiving their share of an equitable amount of Federal support for education programs.

The Commonwealth of Pennsylvania has received approximately 4 percent to 4½ percent of funds available nationwide for Department of Education programs over the past several years.

In fiscal year 1980, the latest year for which complete figures are available, Pennsylvania received $643.5 million in Federal assistance for education programs administered by the department.

This included support for low-income school districts under title I of the Elementary and Secondary Education Act, various other categorical programs to support elementary and secondary education, student financial assistance and other support for nigher education, as significant examples.

News reports concerning the President's budget revisions have given the erroneous public impression that vast across-the-board reductions in support of education are forthcoming. These reports are misleading, and I welcome this opportunity to help set the record straight.

Senator SPECTER. You are authorized by the Secretary of Education and the President to deny that?

Mr. AMBROSINO. Yes, there will not be vast cuts. If you look at the entire educational budget for fiscal year 1981, you are talking about $13.8 billion. Of that amount, only 4.5 percent of that is the block grant.

Senator SPECTER. We realize that, Mr. Ambrosino.

Mr. AMBROSINO. May I continue?

Senator SPECTER. The issue is whether there is going to be an effort to have a further reduction in the Federal budget in the amount of some $13 million with additional cuts out of education and I'm pleased to hear that it is not so.

Mr. AMBROSINO. There will be slight reductions in the increases that have taken place, but not vast cuts as has been reported.

Mr. ARCHIBALD. Senator, if I could interject just simply to say that the budget that's on the table now for education is the President's revised fiscal year 1982 budget of last March. That budget has not since been revised. Understandably, because of the recent action by the Congess where the reconciliation legislation added $2.6 billion to the education proposal in the authorization figures, and the assumptions that were made under the Guaranteed Student Loan program, as one example, it's possible that some further adjustments up or down might have to be made in other program areas in order to fund the entitlements that the Congress has directed. But the President's budget figure, the bottom line for education, is still the $13.1 billion figure. Until the

White House makes a decision otherwise, that is the figure we are operating under in terms of our request.

Senator SPECTER. When you say until the White House makes a figure otherwise, that's the question.

Mr. ARCHIBALD. Well, we have no indication now that the administration is going to increase that amount.

Senator SPECTER. Do you have any indication that they are not going to?

Mr. ARCHIBALD. That they are not going to increase it above the $13.1 billion?

Senator SPECTER. That they are not going to decrease it.

Mr. ARCHIBALD. There is no indication today, sir, that they are going to decrease it below that amount. If entitlements have to be funded at the higher amounts above the budget, as set forth in budget reconciliation legislation, future adjustments in other programs may be necessary.

Senator SPECTER. The question is: Have you been told they are not going to decrease it?

Mr. ARCHIBALD. No.

Senator SPECTER. You just haven't been told?

Mr. ARCHIBALD. We have been told as of yesterday by the Office of Management and Budget that the official budget figure for the Department of Education is still the $13.1 billion amount and that no decision has yet been made about changing that figure.

Senator SPECTER. What you say we are obviously interested in, but it sounds to me as if that is interpretable that simply no decision has been made as opposed to a decision having been made to make the reduction.

Mr. ARCHIBALD. Obviously, Senator, the decision whether to make or not make a future increase or decrease at this point rests with the Congress since we are still in the appropriations process for fiscal year 1982.

Senator SPECTER. Your request is what I have in mind. You say $13.1 billion is the administration's figure?

Mr. ARCHIBALD. Request, yes, sir, and all of our actions and activities now are premised on that request.

Senator SPECTER. We understand the point that you are making.

If you would summarize your statement, Mr. Ambrosino, that would be preferable.

Mr. AMBROSINO. I haven't gotten to the first question. May I just summarize the first answer?

We anticipate few, if any, changes in the types of services we render. We will continue to provide assistance to college students through our student financial aid activities. Rehabilitation services will continue unchanged. The office will also continue to monitor and help enforce compliance with Federal civil rights laws governing education programs.

The budget reconciliation legislation simplified the current title I program for low-income school districts, and consolidated more than 40 categorical aid programs for elementary and secondary schools in order to provide block-grant funds directly to the States for distribution to local education agencies.

Administrative implementation of the block-grant program, as well as other national education programs, will be coordinated by the department's staff in Washington. However, our regional office stands ready to work with State and local education officials at their request to adjust to the new block-grant program and to resolve issues which may emerge as the States assume full responsibility for block-grant funds. We are also prepared to assist postsecondary and lending institutions to help students and their families with respect to statutory changes in eligibility for student financial assistance, and other procedures associated with these programs.

You asked me to address the capability of State and local government entities to assume a greater share of the cost and administration of Federal education programs.

Let me say here that one of the biggest complaints I hear from State and local education people regarding Federal education programs is the additional cost and work imposed by Washington in order to comply with the myriad of requirements and regulations associated with these programs.

President Reagan's proposed consolidation of elementary and secondary education programs and block granting of these funds to the States is designed to help solve this problem by allowing the State and local education agencies to use this money for the activities authorized under the antecedent programs as they see fit, without all the accompanying redtape and harrassment from Washington.

Indeed, Secretary Bell was the first member of the Cabinet to announce the elimination of 30 sets of burdensome and unnecessary regulations associated with consolidated education programs under the reconciliation legislation, following its enactment.

The revocation of these regulations eliminates the flow of some 200,000 pages of grant applications, 7,000 pages of financial reports, and 20,000 pages of programatic reports moving to the Federal Government annually.

This action will save school officials many millions of dollars and man-hours that were previously imposed to comply with this paperwork burden. Those funds and those man-hours can now be devoted to increasing State and local efforts to reinvigorate and improve the quality of their own school programs.

I should note that the consolidation of elementary and secondary education programs under the recent budget reconciliation legislation will become effective next July, and funds will begin flowing to the States and localities under the block grant for the 1982–83 school year.

The reconciliation statute requires the Governor of each State to form an advisory committee to help determine the allocation of block-grant funds, which will be distributed directly to State educational agencies. The law also required the advisory committee to assist with the planning, development, support, implementation, and evaluation of State programs supported by the block grants. The Governor's advisory committee must include persons representative of public and private elementary school children and parents, classroom teachers, local boards

of education, local and regional school administrators including principals and superintendents, institutions of higher education, and the State legislature.

The State education agencies will be required to distribute at least 80 percent of their block-grant allocation to local educational agencies within the State according to the relative enrollments in public and private schools within their respective school districts, adjusted according to criteria approved by the secretary.

The remaining 20 percent of the block-grant funds may be distributed at the discretion of the State. Additional funds may be available to the States from the Secretary of Education's discretionary fund, amounting to not more than 6 percent of the national block grant total, for support of any of the block grant's general purposes—basic skills development, educational improvement and support services, and special projects.

Obviously the capability of State and local entities to assume a greater or reduced burden in the education area is a matter of State and local concern. It is the Reagan administration's firm policy that the Federal Government should not make or engineer these decisions through unwarranted regulation or monied persuasion.

Senator SPECTER. When you say, Mr. Ambrosino, that the capability of the State and local entities is a matter of local concern with respect to assuming greater burden in the education area, what is your response to the long line of testimony that we have heard today that State and local governments just cannot raise any more money in the context that they are mandated to have balanced budgets whereas the Federal Government can and the Federal Government should, so the witnesses have said, assume these burdens?

Mr. AMBROSINO. I heard that testimony, Senator, and I think it behooves the local and State officials to possibly look at their funding of education through a different form of financing.

Senator SPECTER. How?

Mr. AMBROSINO. For example, the State of Delaware, the State of Hawaii, and the State of Alaska produce 68 to 70 percent of the education funding for the respective educational communities within their respective States, sir. To continually have a small base tax or tax base such as a local school district, sir, is maybe not the way to go. But that is a matter for State and local decisionmaking. I think that Pennsylvania has to look at——

Senator SPECTER. How much does the State of Delaware——

Mr. AMBROSINO. Sixty-eight percent, sir.

Senator SPECTER. You think the State of Pennsylvania could do more?

Mr. AMBROSINO. I would suggest they look at it, sir. I'm not going to determine what tax innovations they should make. That's up to the local officials and the State legislature. But I do think that they cannot get their cake and eat it too. What I mean by that—I don't mean to be rude or disrespectful. If they want Washington to get out of their hair with deregulation, then that means that the burden of planning——

Senator SPECTER. Did you include Ohio in that group?

Mr. AMBROSINO. No; the three States that I wanted to use were Delaware—well, Delaware is third. It's Hawaii, Alaska, Delaware, and I think North Carolina is fourth in providing State funding.

Senator SPECTER. When you talk about Hawaii, Alaska, and Delaware, they are States with very little population.

Mr. AMBROSINO. Yes.

Senator SPECTER. Wouldn't they pose a different concern——

Mr. AMBROSINO. There's no question about it.

Senator SPECTER. A State like Alaska is practically——

Mr. AMBROSINO. Well——

Senator SPECTER [continuing]. Practically a rebate from oil revenues.

Mr. AMBROSINO. What I'm saying, sir, is that you are asking me whether Washington should take it up. I'm saying if the local governments want to get rid of regulations and they want to get rid of Washington in their hair, they don't want all the paperwork, then they ought to look at the block grant, which is only 4.5 percent of all the educational funding, and that's a pretty good pilot program to experiment with.

Senator SPECTER. I don't think there is any quarrel about that aspect.

Mr. AMBROSINO. OK. What I'm saying is that they have to look for better financing and that they can't shift the burden to the Federal level. For example—I listened to the mayor last evening, his four-point program, in which he recommended automatically increasing the property taxes of the Philadelphia residents 10 percent.

Senator SPECTER. Do you disagree with what the mayor said?

Mr. AMBROSINO. I don't disagree with anybody at this present time. I'm merely making a statement that people ought to be looking for other means of financing education rather than looking to the Federal Government.

Senator SPECTER. Does that include the mayor?

Mr. AMBROSINO. That includes the mayor. That also includes Governor Thornburgh, sir, who happens to be a Republican and I'm a Republican.

Senator SPECTER. Well, now that you brought partisanship into this otherwise lofty discussion, you may proceed with your statement.

Mr. AMBROSINO. Thank you, sir.

President Reagan's commitment to fully review and reorganize the Federal role in education is being implemented, and Secretary Bell's creation last week of a national commission on excellence in education is an important part of that effort.

It is our intent to continue working closely with State and local officials as possible when they request our services to help them improve education at every level. But we intend to provide these services without telling them what programs they must have, and how they must be run, consistent with Federal laws passed by Congress.

Finally, you asked me what changes in funding priorities I would recommend your subcommittee to consider to improve the targeting of efficiency of Federal programs.

It would be inappropriate for me to address this important question on my first day as regional representative in the U.S. Department of Education. However, let me assure you that my 8 years of service as a State representative from Delaware, including service on the Appropriations Committee, and my years as an administrator of education programs at the State and local level, have provided me with a highly useful perspective on this issue.

I will be working closely with educators, Government officials, and concerned citizens throughout region 3, and with my colleagues in the Department of Education, to help answer this question in specific terms at some future time.

In general terms, however, I would encourage your subcommittee and the entire Congress to take special efforts to enact more of President Reagan's proposals to improve Federal education assistance.

Senator SPECTER. What do you mean by that, improve Federal education assistance, Mr. Ambrosino?

Mr. AMBROSINO. Let me, just for example, give you the educational pie, Senator. My concern as a teacher as well as a legislator was the enormous amount of money—and believe me when I tell you. I believe that disadvantaged children and handicapped children should have as much of the educational pie as possible but when you look at the educational pie, Senator, 68 percent of the Federal budget goes to disadvantaged and handicapped children. Only two-tenths of 1 percent, sir, goes to those kids who are excelling, but who also need support and encouragement.

Senator SPECTER. What did you mean by improving?

Mr. AMBROSINO. Maybe Congress ought to look at how they appropriate——

Senator SPECTER. President Reagan's proposal to improve Federal education assistance, what do you——

Mr. AMBROSINO. Secretary Bell has instituted the National Commission on Excellence in Education. I think that what has to be done is to look at those programs countrywide that are going to help teachers to help kids.

Senator SPECTER. Thank you very much. You are not quite finished?

Mr. AMBROSINO. I only have one more paragraph, sir.

Let me conclude by extending my sincere appreciation to you, Chairman Specter, and to this subcommittee for the opportunity to participate in your hearing. I believe that a regional congressional hearing such as this is highly valuable to the public who we serve.

I look forward to working with the people of the 5 States and the District of Columbia who are served by our region 3 office, as well as with members of their congressional delegations, in order to benefit State and local educational efforts.

We stand ready to respond to your questions.

Senator SPECTER. Mr. Ambrosino, in light of the fact that you did hear Mayor Green's speech last night, is there any latitude or any help anywhere within the funds administered by region 3 which might come to the assistance of Mayor Green to any extent, how ever slight?

Mr. AMBROSINO. Sir, let me put it this way. At the present time I do not believe there will be any additional Federal funding. I don't know specifically, to answer your question.

Senator SPECTER. Would you make an inquiry on that because that could be very significant if there is any latitude at all which could be of assistance to the mayor.

Mr. AMBROSINO. Let me say this. They tell me that my office does not administer any funds. Everything is decided in Washington more or less, with the funding. The only thing that our office can do at the present time--and that may change with the new reorganization plan which will come into effect by October 1. We can be in an advocacy position for the Philadelphia School District and for any other school district within my jurisdiction.

Senator SPECTER. Advocacy position to do what?

Mr. AMBROSINO. To present the problems in some form to Secretary Bell's Office and to the President's Office. That is basically what we can do right now until I get full reorganization, organizational chart.

Senator SPECTER. What organization plan do you anticipate on October 1?

Mr. AMBROSINO. The organizational plan is a reducing of my own staff, No. 1.

There will also be a definite plan of action with mission for the region 3 office, which has not yet been made available.

Senator SPECTER. Do you favor the abolition of the Department of Education?

Mr. AMBROSINO. Yes, sir, with modification.

Senator SPECTER. What modification?

Mr. AMBROSINO. Well, Secretary Bell has provided a couple of options for the President.

Senator SPECTER. Do you favor the abolition of region 3?

Mr. AMBROSINO. The Secretary favors a foundation alternative. As I understand it, if Washington wants to service the locals throughout the country, there is strong possibility there will continue to be the regional offices under the foundation concept. But that is not definite.

Senator SPECTER. So the Department may go but the region will stay?

Mr. AMBROSINO. Possibly, sir. I cannot answer yes or no.

Senator SPECTER. The region may possibly go?

Mr. AMBROSINO. As of Thursday the region possibly will stay. I have not been in contact with Washington since Thursday afternoon.

Mr. ARCHIBALD. Senator, if I might interject just to elaborate on the consideration that is going on right now on the reorganization of the Department.

There are a variety of options that have already been put together. Secretary Bell has, as the news reports have——

Senator SPECTER. I have noted those in the news media. I was just wondering what was going to happen to region 3.

Mr. ARCHIBALD. As far as I know the process hasn't gone along that far where any determination has been made concerning the future existence of regional offices or any other aspect of the reorganization

aspect of the Department. The cataloging of ideas is the stage that we are in.

Senator SPECTER. Mr. Ambrosino, what did you think of Dr. Marcase's suggestion that the bureaucracy of the Department of Education be reduced?

Mr. AMBROSINO. He was 75 percent correct in this respect; 95 of the employees are in the Office of Civil Rights, not even in my office, in a direct line in organization. It's a dotted line. So, consequently, the——

Senator SPECTER. Dotted line?

Mr. AMBROSINO. It's a dotted line right now. They report to Washington, sir. What I'm saying is——

Senator SPECTER. Direct line to Washington?

Mr. AMBROSINO. Yes.

Senator SPECTER. Dotted line to you?

Mr. AMBROSINO. Dotted line to me. In the reorganization right now, that is being taken into consideration. The point I want to make is there are limited amounts of people to deal with the Federal programs and services that possibly are necessary in dealing with public schools. Most of the employees are due to legislation passed by Congress; 95 employees are assigned to the Office of Civil Rights.

Senator SPECTER. Are you suggesting they do not have a function of sufficient importance to justify that allocation of manpower?

Mr. AMBROSINO. I would think if we are dealing with education and getting on with the business of education, the Office of Civil Rights should not be hampered by every phone call coming in on sex discrimination and race discrimination.

To give you an example, in my own school district——

Senator SPECTER. Mr. Ambrosino——

Mr. AMBROSINO. Let me finish. We had public service employees in my school district 3 months ago. As you may know, there will no longer be public service employees beginning July 1. The public service employees, in order to be hired by our school district, went through the State Department of Labor, CETA. A woman filed a complaint against our school district, which took 4 days to remedy. We had no hearing on that at all, since the Department of Labor in the State of Delaware authorized the people to come to us for an interview. A woman threw a sex discrimination on us with a mere phone call to the Office of Civil Rights in Philadelphia. It took four administrators and 4 days to rectify the complaint that wasn't even our responsibility. That's what I'm talking about.

I'm not talking about doing away with due process of law. I'm not talking about reducing the rights of women or reducing the rights of any minority groups.

Senator SPECTER. Are you saying they spent longer in disposing of that complaint than they should have?

Mr. AMBROSINO. What I'm saying is they are following the congressional laws and regulations, and I think that what has to be looked at is what President Reagan is telling Congress to look at. Look at these laws. The administration is carefully reviewing all rules and regulations to see if they can be modified, simplified, or repealed.

Senator SPECTER. Are you saying the regulations and laws applied to that complaint required an excessive amount of time?

Mr. AMBROSINO. Absolutely, sir. You say it better than I do. Absolutely. I'm not blaming the Office of Civil Rights. I'm just saying they are following the law. That's why I concur with President Reagan and Secretary Bell in looking at the regulations that deal with education.

Senator SPECTER. Was the claim found to be without merit?

Mr. AMBROSINO. Thrown out, sir, with a phone call from the Office of Civil Rights here in Philadelphia to my office.

Senator SPECTER. It took 4 days?

Mr. AMBROSINO. Four days. It took a principal. two assistant principals of Howard Career Center, and myself.

Senator SPECTER. Perhaps we shouldn't spend any more time on it then.

Mr. AMBROSINO. Well, sir, what I'm saying, really to keep this in proportion to what this hearing is all about, is that I concur philosophically with Secretary Bell and the President or I would not be in this position.

Senator SPECTER. Thank you very much, Mr. Ambrosino. We very much appreciate your being with us today, especially on the day of your being sworn in to office.

Mr. AMBROSINO. Thank you very much, Senator. You are very gracious.

Senator SPECTER. We wish to thank all the witnesses who have appeared here today. I think that the hearings have been very useful and will enable at least me to deal with more knowledge on the questions which come before the subcommittee and I think will be of assistance to the subcommittee and the committee as a whole.

CONCLUSION OF HEARING

The Subcommittee on Labor, Health and Human Services, and Education will now stand in recess subject to the call of the Chair.

[Whereupon, at 1 p.m., Tuesday, September 1, the hearing was concluded and the subcommittee was recessed to reconvene at the call of the Chair.]

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